CLOSED JOINT STOCK COMPANY
“Astanaeximbank”

Independent Auditors’ Report

Consolidated Financial Statements
For the Year Ended 31 December 2005

CLOSED JOINT STOCK COMPANY “ASTANAEXIMBANK”

TABLE OF CONTENTS

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguish the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Closed Joint Stock Company "Astanaeximbank" and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as of 31 December 2005, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue business for the foreseeable future.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Belarus;
- taking steps that are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2005 were authorized for issue on 26 April 2006 by the Supervisory Board of the Bank.

On behalf of the Board:

Chairman	Chief Accountant
26 April 2006	26 April 2006
Minsk	Minsk

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Supervisory Board of Closed Joint Stock Company “Astanaeximbank”:

We have audited the accompanying consolidated balance sheet of Closed Joint Stock Company “Astanaeximbank” and its subsidiaries (the “Group”) as of 31 December 2005 and the related consolidated income statement, and consolidated statements of cash flows and changes in shareholders’ equity (the “consolidated financial statements”) for the year then ended. These consolidated financial statements are the responsibility of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Without qualifying our opinion, we draw attention to Note 30, describing uncertainties currently existing in the economic environment in the Republic of Belarus.

Deloitte & Touche

26 April 2006
Minsk

CLOSED JOINT STOCK COMPANY "ASTANAEXIMBANK"

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
Interest income	4	5,058	3,857
Interest expense	4,25	(2,478)	(1,192)
NET INTEREST INCOME BEFORE RECOVERY OF PROVISION/ (PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		2,580	2,665
Recovery of provision/(provision) for impairment losses on interest bearing assets	5	365	(463)
NET INTEREST INCOME		2,945	2,202
Revenue from services to agricultural sector	6,25	2,787	2,833
Net loss on operations with financial instruments at fair value through profit or loss		(16)	(23)
Net gain on foreign exchange operations		1,931	1,139
Fee and commission income	7	649	426
Fee and commission expense	7,25	(347)	(127)
Other income	25	201	130
NET NON-INTEREST INCOME		5,205	4,378
OPERATING INCOME		8,150	6,580
OPERATING EXPENSES	8,25	(6,160)	(5,138)
OPERATING PROFIT		1,990	1,442
Other provisions	5	(233)	(32)
PROFIT BEFORE TAXATION AND LOSS ON NET MONETARY POSITION		1,757	1,410
Loss on net monetary position due to inflation effect		(416)	(661)
PROFIT BEFORE TAXATION		1,341	749
Income taxes expense	9	(558)	(254)
NET PROFIT		783	495
Attributable to:			
Shareholders of the Bank		739	520
Minority interest		44	(25)

On behalf of the Board:

Chairman

Chief Accountant

26 April 2006
Minsk

26 April 2006
Minsk

The notes on pages 8-44 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on page 2.

CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2005

	Notes	31 December 2005 BYR million	31 December 2004 BYR million
ASSETS:			
Cash and balances with the National Bank of the Republic of Belarus	10	5,105	1,267
Loans and advances to banks, less allowance for impairment losses	11,25	16,210	13,193
Financial instruments at fair value through profit or loss	12	9,604	2,031
Loans to customers, less allowance for impairment losses	13	13,818	14,196
Tangible and intangible assets, less accumulated depreciation and amortization	14	13,155	14,256
Other assets, less allowance for impairment losses	15,25	2,500	2,811
TOTAL ASSETS		60,392	47,754
LIABILITIES AND SHAREHOLDERS’ EQUITY			
LIABILITIES:			
Loans from banks	16,25	12,582	10,354
Customer accounts	17,25	4,717	3,474
Debt securities issued	18	8	557
Obligations under finance lease	19,25	8,082	9,386
Other provisions	20	176	114
Income tax liabilities	9	654	254
Other liabilities	21,25	10,467	339
Subordinated debt	22,25	4,334	4,687
Total liabilities		41,020	29,165
SHAREHOLDERS’ EQUITY:			
Share capital	23	13,745	13,745
Retained earnings		5,580	4,841
Equity attributable to shareholders of the Bank		19,325	18,586
Minority interest		47	3
Total shareholders’ equity		19,372	18,589
TOTAL LIABILITIES AND SHAREHOLDERS’ EQUITY		60,392	47,754

On behalf of the Board:

Chairman

26 April 2006
Minsk

Chief Accountant

26 April 2006
Minsk

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CLOSED JOINT STOCK COMPANY “ASTANAEXIMBANK”

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Equity attributable to shareholders of the Bank				
	Share capital BYR million	Retained earnings BYR million	Total equity attributable to shareholders of the parent BYR million	Minority interest BYR million	Total shareholders’ equity BYR million
31 December 2003	**13,745**	**4,321**	**18,066**	**28**	**18,094**
Net profit	-	520	520	(25)	495
31 December 2004	**13,745**	**4,841**	**18,586**	**3**	**18,589**
Net profit	-	739	739	44	783
31 December 2005	**13,745**	**5,580**	**19,325**	**47**	**19,372**

On behalf of the Board:

Chairman

26 April 2006
Minsk

Chief Accountant

26 April 2006
Minsk

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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before taxation and loss on net monetary position		1,757	1,410
Adjustments for:			
(Recovery of provision)/provision for impairment losses on interest bearing assets		(365)	463
Other provisions		233	32
Net change in fair value of derivative financial instruments		11	-
Net change in fair value of securities		-	(15)
Depreciation and amortization		1,257	1,432
Loss on disposal of tangible assets		4	36
Change in interest accruals, net		614	(4)
Cash flows from operating activities before changes in operating assets and liabilities		3,511	3,354
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit and temporary account with the National Bank of the Republic of Belarus		(2,572)	12
Loans and advances to banks		(1,737)	(11,006)
Financial instruments at fair value through profit or loss		(3,190)	(40)
Loans to customers		640	2,382
Other assets		174	(788)
Increase in operating liabilities:			
Loans from banks		2,162	2,294
Customer accounts		1,243	1,080
Other liabilities		48	65
Cash inflow/(outflow) from operating activities before taxation		279	(2,647)
Income taxes paid		(158)	-
Net cash inflow/(outflow) from operating activities		121	(2,647)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of tangible and intangible assets		(166)	(778)
Proceeds on sale of tangible assets		-	19
Net cash outflow from investing activities		(166)	(759)

CLOSED JOINT STOCK COMPANY “ASTANAEXIMBANK”

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

	Notes	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
CASH FLOWS FROM FINANCING ACTIVITIES:			
(Net repayment of)/ net proceeds from debt securities issued		(548)	362
Subordinated debt repaid		(4,687)	-
Subordinated debt received		4,304	2,024
Repayment of obligation on finance lease		(1,788)	(1,059)
Cash received from shareholders for increase in share capital		10,069	-
Net cash inflow from financing activities		7,350	1,327
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		7,305	(2,079)
INFLATION EFFECT ON MONETARY ASSETS AND LIABILITIES		(585)	(975)
CASH AND CASH EQUIVALENTS, beginning of year	10	3,159	6,213
CASH AND CASH EQUIVALENTS, end of year	10	9,879	3,159

Interest paid and received by the Group during the year ended 31 December 2005 amounted to BYR 1,929 million and BYR 5,093 million, respectively.

Interest paid and received by the Group during the year ended 31 December 2004 amounted to BYR 1,151 million and BYR 3,708 million, respectively.

Amounts included in cash flow statement above for the following items include:

	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
Repayment of obligation on finance lease		
Repayment in cash	(197)	(1,057)
Inflation effect	(695)	(909)
Exchange rate effect	(896)	907
Total	(1,788)	(1,059)
Income taxes paid		
Repayment in cash	(138)	-
Inflation effect	(20)	-
Total	(158)	-

On behalf of the Board:

Chairman

Chief Accountant

26 April 2006
Minsk

26 April 2006
Minsk

The notes on pages 8-44 form an integral part of these consolidated financial statements. The Independent Auditors’ Report is on page 2.

1. ORGANIZATION

CJSC "Astanaeximbank" (the "Bank") is a closed joint-stock bank, which was incorporated in the Republic of Belarus on 25 July 2002. The Bank was registered by the National Bank of the Republic of Belarus as a closed joint-stock bank with a foreign investment. The address of its registered office is 20 Khoruzhey Str., Minsk, Belarus.

The Bank's activity is regulated by the National Bank of the Republic of Belarus (the "NB RB") and it conducts its business under general license for banking operations in Belarusian Roubles number 65, general license for foreign currency operations number 65 and the license of Securities Committee of Council of Ministers of the Republic of Belarus for professional and dealing activities in securities market.

The Bank's primary business consists of processing payments, originating loans to customers, foreign currencies operations in its own right and on behalf of its customers, operations with securities for trading purposes.

The Bank is a parent company of the Group (the "Group") which consists of the following enterprises which are consolidated in these financial statements:

Name	Country of operation	The Bank ownership interest 2005	The Bank ownership interest 2004	Type of operation
LLC "Agrodelo"	*Republic of Belarus*	*90%*	*90%*	*Services to the agricultural sector*
UE "Astanainvest"	*Republic of Belarus*	*100%*	*100%*	*Finance lease services*

LLC "Agrodelo" was set up by the Bank and JSC "Gorodeya Sugar Refinery" as a limited liability company under the laws of the Republic of Belarus on 16 July 2003. The company's principal activity is rendering services to the agricultural enterprises in the Republic of Belarus.

UE "Astanainvest" was set up by the Bank as a unitary enterprise under the laws of the Republic of Belarus on 15 July 2004. The company's principal activity is providing finance lease services to customers in the Republic of Belarus.

As of 31 December 2005 and 2004 the share capital of the Bank was distributed among the following shareholders:

Shareholder	%
JSC "Bank TuranAlem" (the Republic of Kazakhstan)	49
"Interfunding Facilities Limited" (Great Britain)	24
"ZRL Beteiligungs" AG (Austria)	24
"World Grain" LLC (United Arab Emirates)	1
Limited Liability Partnership "APK Invest" (the Republic of Kazakhstan)	1
Individual (the Republic of Kazakhstan)	1
Total	100

"Interfunding Facilities Limited" is registered as a limited liability company and owned by two individuals: John Dominic Wilson and Sara Juliet Wilson (both citizens of Great Britain).

"ZRL Beteiligungs" AG is registered as a joint stock company and owned by one individual, Helmut Zeitz (citizen of Austria).

JSC "Bank TuranAlem" exercises significant influence over the Bank's operations. Consolidated financial statements, prepared under International Financial Reporting Standards, were issued by JSC "Bank TuranAlem" on 23 February 2006.

These consolidated financial statements were authorized for issue by the Supervisory Board of the Bank on 26 April 2006.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements are presented in millions of Belarusian Roubles ("BYR million"), unless otherwise indicated. These consolidated financial statements are prepared on the historical cost basis except for the measurement of financial instruments at fair value through profit or loss, and according to International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

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

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment, the fair value of financial instruments and useful life of tangible and intangible assets.

Functional currency

Functional currency of these consolidated financial statements is Belarusian Rouble.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) and are prepared annually for the period ending 31 December. Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument. Regular purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Belarus with original maturity within 90 days except minimum reserve deposits, loans and advances to banks in countries included in the Organization for Economic Co-operation and Development (“OECD”) with maturity within 90 days, except for guarantee deposits and other restricted balances, and government debt securities held for trading which may be converted to cash within a short period of time. The minimum reserve deposit required by the NB RB is not included as a cash equivalent due to restrictions on its availability (Note 10).

Loans and advances to banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Loans and advances to banks with fixed maturity are subsequently measured at amortized cost using the effective interest rate method. Amortized cost of loans and advances that do not have fixed maturities is calculated using the expected repayment dates per management estimates. Loans and advances to banks are carried net of any allowance for impairment losses.

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss represent assets that are acquired principally for the purpose of selling them in the near term and for which there is evidence of a recent actual pattern of short-term profit-taking; or are derivatives (except for derivatives that are designated for hedging and are effective hedging instruments). These financial instruments are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for these financial instruments. When reliable market prices are not available or if liquidating the Bank’s position would reasonably be expected to impact market prices, fair value is determined by reference to price quotations for similar instruments traded in different markets or management's estimates of the amounts that can be realized from an orderly disposition over a period of time, assuming current market conditions. The fair value adjustment on such financial instruments is recognized in the consolidated income statement.

Derivative financial instruments

The Group enters into derivative financial instruments to manage currency risks and for trading purposes. Derivatives entered into by the Group include foreign currency forwards.

Derivative financial instruments are initially recorded and subsequently measured at fair value. Fair values are obtained from the interest rates model. Most of the derivatives the Bank enters into are of a short-term nature. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the consolidated income statement for the year in which they arise. For foreign currency derivatives results are reported under net gain on foreign exchange operations caption.

Loans to customers

Loans originated by the Group are financial assets that are created by the Group by providing money directly to a borrower.

Loans to customers with fixed maturity are subsequently measured at amortized cost using the effective interest rate method. Amortized cost of loans that do not have fixed maturities is calculated using the expected repayment dates per management estimates. Loans to customers are carried net of any allowance for impairment losses.

Write-off of loans and advances

Loans and advances are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and to sell all available collateral. In accordance with the statutory legislation and the Bank's Charter, loans may only be written off with the approval of the general shareholders' meeting of the Bank when 1 year passed after the loan was fully provided for.

Allowance for impairment losses

The Group establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate, for financial assets which are carried at amortized cost. If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting an allowance account. For financial assets carried at cost the allowance for impairment losses is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk assets for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is recognized in the income statement and the total of the allowance for impairment losses is deducted in arriving at assets as shown in the balance sheet. Factors that the Group considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

It should be understood that estimates of losses involve an exercise of judgment. While it is possible that in particular periods the Group may sustain losses, which are substantial in relation to the allowance for impairment losses, it is the judgment of management that the allowance for impairment losses is adequate to absorb losses incurred on the risk assets.

Once a financial asset or a group of similar financial assets has been 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.

Tangible and intangible assets

Tangible and intangible assets are carried at historical cost restated for inflation less accumulated depreciation and amortization and any accumulated impairment loss (principles of restatement for inflation are stated further in this note in section "Accounting for the effects of hyperinflation"). Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation and amortization of tangible and intangible assets is designed to write off assets over their useful economic lives and is calculated on a straight line basis at the following annual prescribed rates:

Building	1%
Agricultural equipment	9-20%
Computer equipment	20-23%
Vehicles	12-14%
Furniture and other office equipment, intangible assets	2-50%

The carrying amounts of tangible and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for tangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease is classified as a finance lease if:

- the lease transfers ownership of the asset to the lessee by the end of the lease term;
- the lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;

- the lease term is for the major part of the economic life of the asset even if title is not transferred;
- at the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset;
- the leased assets are of a specialized nature so that only the lessee can use them without major modifications being made.

Being a lessee, the Group recognizes finance leases as liabilities in the balance sheet at the inception of the lease at amounts equal to the fair value of the leased property or to the present value of the minimum lease payments, if the latter is lower. In calculating the present value of the minimum lease payments the discount factor used is the interest rate implicit in the lease, when it is practicable to determine, otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Capital costs incurred to maintain or improve assets received under finance lease are capitalized and reported as leasehold improvements and are amortized over the term of the assets' useful lives.

Being a lessor, the Bank presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are capitalized at inception and amortized over the lease term.

Operating leases

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

Taxation

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

The current taxes expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current taxes expense is calculated using taxes rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes are the tax expected to be payable or recoverable on 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, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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 taxes are calculated at the taxes rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred taxes are charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred taxes are also dealt with in equity.

The Republic of Belarus also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the income statement.

Loans from banks and customer accounts

Loans from banks and customer accounts are initially recognized at fair value, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent promissory notes issued by the Group. They are accounted for according to the same principles used for customer accounts and loans from banks.

Other provisions

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

Financial guarantees contracts issued and letters of credit

Financial guarantees contracts and letters of credit issued by the Bank are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurres because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantees contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Share capital

Share capital is recognized at cost restated for inflation for the period after 31 December 2003, when measurement currency of the Bank was changed from US dollar to Belarusian Rouble.

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

Retirement benefit obligations

In accordance with the requirements of the Republic of Belarus legislation, the Group withholds amounts of pension contributions from employee salaries and pays them to the state pension fund. In addition, such pension system provides for calculation of current payments by the employer as a percentage of current total disbursements to staff. Such expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the state. The Group does not have any pension arrangements except for the State pension system of the Republic of Belarus. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis using effective interest rate method. Interest income also includes income earned on investments in securities. Commission income/expenses are recognized on an accrual basis. Other income/ expenses are recognized when they are incurred.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into Belarusian Roubles at the appropriate spot rates of exchange ruling at the balance sheet date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

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

	31 December 2005	31 December 2004
BYR/USD	2,152.00	2,170.00
BYR/EUR	2,546.35	2,955.65
BYR/RUR	74.86	77.91

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the balance sheet when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Accounting for the effects of hyperinflation

The Republic of Belarus continues to experience relatively high levels of inflation and is considered to be hyperinflationary as defined by IAS 29. Accordingly, adjustments and reclassifications made for the purposes of IFRS presentation include restatement, in accordance with IAS 29, for changes in the general purchasing power of the Belarusian Rouble. IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. IAS 29 indicates that reporting operating results and financial position in Belarusian Roubles without restatement is not sufficient because money loses purchasing power at such a rate that the comparison of amounts from transactions and other events that have occurred at different times, even within the same accounting period, is misleading.

The application of IAS 29 requires adjustments to the income statement for the loss of purchasing power of the Belarusian Rouble. The profit or loss on net monetary position is calculated as the difference arising due to restatement of non-monetary assets and liabilities, shareholders' equity and profit and loss items. Respective amounts as of 31 December 2004 have also been restated for presentation purposes for the changes in the general purchasing power of the Belarusian Rouble for the year 2005.

The restatement was performed using the conversion factors derived from the consumer price index ("CPI") calculated and published by the Ministry of Statistics and Analysis of the Republic of Belarus. The indices were as follows:

Year	%
2005	8%
2004	14%
2003	25%
2002	35%

Monetary assets and liabilities are not restated because they are already expressed in the monetary unit current as of 31 December 2005. Non-monetary assets and liabilities (items that have not been expressed yet in the monetary unit current as of 31 December 2005) are restated by applying a relevant conversion factor. The effect of inflation on the Group's net monetary position is reflected in the consolidated income statement as a gain or loss on net monetary position.

Tangible assets have been indexed by the change in CPI from the date of acquisition in respect of subsidiaries where measurement currency is Belarusian Rouble. In respect of the Bank tangible assets purchased before 31 December 2003 were indexed by the change in CPI from 31 December 2003 when measurement currency was changed from US dollar to Belarusian Rouble, and assets purchased after that date are indexed by the change in CPI from the date of acquisition.

Share capital and retained earnings have been indexed by the change in CPI from 31 December 2003 when measurement currency was changed from US dollar to Belarusian Rouble.

Amounts included into the income statement have been indexed by the change in CPI based on the following assumptions:

- inflation occurred evenly during the year;
- income and expense accrued evenly during the year.

Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services (business segment) and is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are 10% or more of all the segments are reported separately.

Restatements due to the changes in IFRS

Certain restatements have been made to the comparative information as of 31 December 2004 and for the year then ended to comply with the changes in IAS 1 "Presentation of Financial Statements" and IAS 39 "Financial Instruments: Recognition and Measurement" effective for the periods beginning on or after 1 January 2005. Restatements relating to IAS 1 "Presentation of Financial Statements" have been done retrospectively to the earliest financial statements period presented.

According to the revised IAS 1 "Presentation of Financial Statements", profit or loss attributable to minority interest should not be presented in the financial statements as items of income or expense, and minority interest in the balance sheet is presented within equity, separately from the parent shareholders' equity.

According to the revised IAS 39 "Financial Instruments: Recognition and Measurement" a gain or loss on an available-for-sale financial assets shall be recognized directly in equity, through the statement of changes in equity, except for impairment losses and foreign exchange gains and losses.

Nature of restatement	Amount BYR million	Balance sheet/Income statement line as per the previous report	Balance sheet/Income statement line as per current report
Reclassification of securities available for sale to financial instruments at fair value through profit or loss	463	Securities available for sale less allowance for impairment losses	Financial instruments at fair value through profit or loss
Reclassification of gain on recovery of provision for impairment losses on securities available for sale to net loss on operations with financial instruments at fair value through profit or loss	15	Provisions for losses on other transactions	Net loss on operations with financial instruments at fair value through profit or loss

Reclassifications

Certain reclassifications have been made to the comparative information as of 31 December 2004 and for the year then ended to conform to the presentation as of 31 December 2005 and for the year then ended current year presentation provides better view of the financial statements.

Nature of reclassification	Amount BYR million	Balance sheet/Income statement line as per the previous report	Balance sheet/Income statement line as per current report
Reclassification of net profit on operations with securities available for sale to interest income	104	Net profit on operations with securities available for sale	Interest income

Effect of adoption of new standards

The Bank made an estimation of the effect of adoption of new standards and changes made in the existing standards, which are not yet become effective as of 31 December 2005.

In accordance with revised IAS 39 “Financial Instruments: Recognition and Measurement” for the financial statements for the period starting from 1 January 2006 financial guarantees will be accounted for in accordance with IAS 39. Also, securities which do not have quoted market prices will be accounted as securities available for sale rather than as financial assets at fair value through profit or loss. In estimation of the Bank the effect of these changes in IAS 39 will not have a significant effect on the financial position and results of operations of the Bank.

In accordance with IFRS 7 “Financial Instruments: disclosure” effective from 1 January 2007 it is required that additional information on financial instruments is disclosed. The Bank estimated the effect of this standard on its financial statements and is considering the need to modify its accounting and reporting systems, which would provide a reliable disclosure of the required information.

4. NET INTEREST INCOME

	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
Interest income		
Interest on loans to customers	2,540	2,831
Interest on loans and advances to banks	1,373	553
Interest on debt securities	1,145	473
Total interest income	5,058	3,857
Interest expense		
Interest on loans from banks	1,484	352
Interest on finance lease	518	535
Interest on subordinated debt	391	230
Interest on customer accounts	79	73
Interest on debt securities issued	6	2
Total interest expense	2,478	1,192
Net interest income before recovery of provision/ (provision) for impairment losses on interest bearing assets	**2,580**	**2,665**

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks BYR million	Loans to customers BYR million	Total BYR million
31 December 2003	57	1,742	1,799
Provision	126	337	463
Gain on net monetary position	(16)	(260)	(276)
31 December 2004	167	1,819	1,986
Recovery of provision	(161)	(204)	(365)
Write-off of assets	-	(748)	(748)
Gain on net monetary position	(6)	(135)	(141)
31 December 2005	**-**	**732**	**732**

The movements in other provisions were as follows:

	Other assets BYR million	Guarantees and other commitments BYR million	Total BYR million
31 December 2003	-	272	272
Provision/(recovery of provision)	164	(132)	32
Gain on net monetary position	(11)	(26)	(37)
31 December 2004	153	114	267
Provision	160	73	233
Gain on net monetary position	(17)	(11)	(28)
31 December 2005	**296**	**176**	**472**

Allowances for impairment losses on assets are deducted from respective assets. Provisions on guarantees and other transactions are recorded in liabilities.

6. REVENUE FROM SERVICES TO AGRICULTURAL SECTOR

Revenue from services to agricultural sector for the years ended 31 December 2005 and 2004 represents revenue earned by the Bank's subsidiary LLC "Agrodelo" for tillage, sowing and harvesting of agricultural crops services rendered to farms in the Republic of Belarus.

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
Fee and commission income:		
Service fees on operations with customers	595	312
Commission on foreign exchange transactions	27	87
Commission on transactions with banks	24	23
Commission on transactions with securities	3	4
Total fee and commission income	**649**	**426**
Fee and commission expense:		
Commission on transactions with banks	292	51
Commission on foreign exchange transactions	44	68
Commission on transactions with securities	11	8
Total fee and commission expense	**347**	**127**

8. OPERATING EXPENSES

	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
Payroll and bonuses	1,525	979
Depreciation and amortization charge on tangible and intangible assets	1,257	1,432
Material expenses	1,080	698
Social security contributions	550	367
Taxes, other than income taxes	430	461
Rent, utilities and repairs	306	126
Transportation expenses	181	95
Other staff costs	175	143
Professional services fees	151	100
Software use fees	101	105
Communication expenses	42	56
Security	31	44
Office expenses	19	76
Loss from tangible assets disposal	4	36
Other	308	420
Total operating expenses	**6,160**	**5,138**

9. INCOME TAXES

The Group provides for income taxes based on the statutory tax accounts maintained and prepared in accordance with the Belarusian tax legislation. Tax rates used for the deferred tax calculation as of 31 December 2005 were 24% for the republican tax, 3% for the municipal tax for the Bank and 4% for the subsidiaries. Tax rates used for the deferred tax calculation as of 31 December 2004 were 30% for the republican tax for the Bank and 24% for the republican tax for the subsidiaries, and 4% for the municipal tax for the Bank and subsidiaries. The republican and municipal tax rates were charged successively. In 2005 the combined rate applied for deferred taxes calculation was 26.28% for the Bank and 27.04% for the subsidiaries. In 2004 the combined rate applied for deferred taxes calculation was 32.8% for the Bank and 27.04% for the subsidiaries.

The Bank was subject to certain permanent tax differences due to the tax-free regime under local tax regulations. Belarusian tax legislation stipulated an income tax exemption for a 3 year period for banks with foreign investments of more than 30% of the share capital, provided that they meet certain other statutory requirements. The Bank was income tax-exempt for the first three profitable years of operations. Starting from August 2005, the Bank’s profits were taxed according to the common rules.

For the years ended 31 December 2005 and 2004 the Bank’s subsidiaries incurred statutory loss and were not subject to income taxes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2005 and 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

The components of income taxes expense for the year ended 31 December 2005 and 2004 were as follows:

	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
Current income taxes expense	247	-
Deferred tax expense	311	254
Income taxes expense	**558**	**254**

The components of income taxes liabilities as of 31 December 2005 and 2004 were as follows:

	31 December 2005 BYR million	31 December 2004 BYR million
Current income taxes liabilities	109	-
Deferred tax liabilities	545	254
Income taxes liabilities	**654**	**254**

The components of deferred tax assets and liabilities as of 31 December 2005 and 2004 are as follows:

	31 December 2005 BYR million	31 December 2004 BYR million
Deferred tax assets:		
Allowance for impairment losses on loans to banks and customers	244	383
Receivables on services to agricultural enterprises	163	41
Obligations under finance leases	-	114
Prepaid expenses and other debtors	56	-
Other provisions	46	37
Tangible assets	-	120
Other	35	4
Deferred tax assets	544	699
Less valuation allowance in respect of net deferred tax assets of the Bank	(247)	(472)
	297	227
Deferred tax liabilities:		
Tangible assets	779	383
Receivables on services to agricultural enterprises	-	26
Accrued interest income	38	72
Other	25	-
Deferred tax liabilities	842	481
Net deferred tax liability	**(545)**	**(254)**

The movement on the deferred tax liability during the years ended 31 December 2005 and 2004 was as follows:

Deferred tax liability as of 31 December 2003	-
Deferred tax charge	254
Deferred tax liability as of 31 December 2004	254
Deferred tax charge	311
Gain on net monetary position	(20)
Deferred tax liability as of 31 December 2005	**545**

The charge for the years ended 31 December 2005 and 31 December 2004, respectively, can be reconciled to the profit before taxation per consolidated income statement as follows:

	Year ended 31 December 2005 BYR million	Year ended 31 December 2004 BYR million
Profit before taxation	**1,341**	**749**
Statutory tax rate	32.8%	32.8%
Tax at statutory tax rate	440	246
Tax effect of different tax rate for subsidiaries	(43)	-
Tax effect of change in tax rates	(31)	-
Tax effect of permanent differences	417	(134)
Change in valuation allowances	(225)	142
Income taxes expense	**558**	**254**

10. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF BELARUS

	31 December 2005 BYR million	31 December 2004 BYR million
Cash on hand	1,715	573
Balances with the NB RB	3,390	694
Total cash and balances with the NB RB	**5,105**	**1,267**

The balances with the NB RB as of 31 December 2005 and 2004 included amounts of BYR 368 million and BYR 234 million, respectively, represented by the minimum reserve deposit with the NB RB. The Bank is required to maintain the reserve balance at all times.

The balance with the NB RB as of 31 December 2005 included cash on temporary account in the amount of BYR 2,438 million received from shareholders for share capital increase, which was in process of registration by the NB RB (Note 21).

Cash and cash equivalents for the purposes of the statement of cash flows comprise:

	31 December 2005 BYR million	31 December 2004 BYR million
Cash and balances with the NB RB	5,105	1,267
Loans and advances to banks in OECD countries with original maturity within 90 days	1,671	558
Government securities held for trading	5,909	1,568
	12,685	3,393
Less minimum reserve deposit and temporary account with the NB RB	(2,806)	(234)
Total cash and cash equivalents	**9,879**	**3,159**

11. LOANS AND ADVANCES TO BANKS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

	31 December 2005 BYR million	31 December 2004 BYR million
Advances to banks	9,720	8,623
Loans to banks	6,488	4,735
Accrued interest income on loans and advances to banks	2	2
	16,210	13,360
Less allowance for impairment losses	-	(167)
Total loans and advances to banks, net	**16,210**	**13,193**

Movements in allowances for impairment losses for the years ended 31 December 2005 and 2004 are disclosed in Note 5.

As of 31 December 2005 and 2004 the Group had exposures to 2 and 3 banks totaling BYR 10,199 million and BYR 9,705 million, respectively, which individually exceeded 10% of the Group's total shareholders' equity.

As of 31 December 2005 advances to banks included advances in amount of BYR 7,198 million (including BYR 4,760 million, denominated in BYR, and BYR 2,438 million, denominated in USD), placed in JSSB "Belarusbank" (Republic of Belarus). The funds were received from shareholders for share capital increase (Notes 16, 21).

As of 31 December 2005 loans to banks included loan in BYR in amount of BYR 880 million to a Belarusian bank, and loans from banks included loan from the same bank denominated in EUR in the amount of BYR 892 million, with the same maturity (Note 16).

As of 31 December 2004 loans to banks included loans denominated in US dollars to two Belarusian banks in the amount of BYR 1,927 million, and loans from banks included loans from the same banks denominated in EUR in the amount of BYR 1,915 million, with the same maturity (Note 16).

12. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2005 BYR million	31 December 2004 BYR million
Securities held for trading:		
Short-term government bonds (GKO)	5,909	215
Long-term government bonds (GDO)	-	1,353
Total securities held for trading	5,909	1,568
Other securities:		
Certificates of deposit of Belarusian banks	2,578	-
Promissory notes of Belarusian banks	1,117	463
Total other securities	3,695	463
Total financial instruments at fair value through profit or loss	**9,604**	**2,031**

GKO are Belarusian Rouble denominated government securities with short-term maturities that are sold at discount to nominal value by the Ministry of Finance of the Republic of Belarus. The nominal value of GKO is BYR 100 thousand.

GDO are Belarusian Rouble denominated government securities with long-term maturities that are sold at discount to nominal value by the Ministry of Finance of the Republic of Belarus. The nominal value of GDO is BYR 100 thousand.

As of 31 December 2005 and 2004 included in securities held for trading was accrued interest income in the amount of BYR 48 million and BYR 14 million, respectively.

As of 31 December 2005 certificates of deposit of Belarusian banks in the Bank's portfolio were Belarusian Rouble denominated debt securities, with effective interest rates amounting to 11-15.7% per annum with maturity ranging from two to four month after the reporting date.

As of 31 December 2005 and 2004 promissory notes of Belarusian banks in the Bank's portfolio were Belarusian Rouble denominated debt securities purchased with discount to nominal value with maturities ranging from one to three months after the reporting date. Effective interest rates on these securities amounted to 11.4-13.6% per annum and 27% per annum as of 31 December 2005 and 31 December 2004, respectively.

As of 31 December 2005 included in promissory notes and certificates of deposits was accrued interest income in the amount of BYR 42 million and BYR 25 million, respectively.

13. LOANS TO CUSTOMERS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

	31 December 2005 BYR million	31 December 2004 BYR million
Originated loans	14,044	15,546
Net investment in finance leases	367	253
Accrued interest income on loans to customers	139	216
	14,550	16,015
Less allowance for impairment losses	(732)	(1,819)
Total loans to customers, net	**13,818**	**14,196**

	31 December 2005 BYR million	31 December 2004 BYR million
Loans collateralized by equipment and goods in turnover	5,410	6,076
Loans collateralized by real estate	3,045	1,649
Loans collateralized by guarantees of enterprises and individuals	1,436	584
Loans collateralized by liens over assets	314	973
Loans collateralized by other types of collateral	41	208
Unsecured loans	3,798	6,056
Total loans to customers	**14,044**	**15,546**

Movements in allowances for impairment losses for the year ended 31 December 2005 and 2004 are disclosed in Note 5.

	31 December 2005 BYR million	31 December 2004 BYR million
Analysis by industry:		
Trade	5,990	13,369
Manufacturing	5,303	1,219
Private entrepreneurs	1,216	467
Individuals	1,110	210
Transport	234	201
Agriculture	232	-
Construction	165	218
Other	161	114
Accrued interest income on loans to customers	139	217
	14,550	16,015
Less allowance for impairment losses	(732)	(1,819)
Total loans and advances to customers, net	**13,818**	**14,196**

At 31 December 2005 and 2004 the Group had exposures to 2 and 3 borrowers totaling BYR 5,850 million and BYR 6,982 million, respectively, which individually exceeded 10% of the Group's total shareholders' equity.

Net investment in finance leases as of 31 December 2005 and 2004 comprised the following:

	31 December 2005 BYR million	31 December 2004 BYR million
Net minimum lease payments	452	363
Less: unearned finance income	(85)	(110)
Net investment in finance leases	**367**	**253**
Current portion	220	91
Long-term portion	147	162
Net investment in finance leases	**367**	**253**

The future minimum lease payments due from customers under finance leases as of 31 December 2005 and 2004 were as follows:

	31 December 2005 BYR million	31 December 2004 BYR million
Not later than one year	281	150
Later than one year not later than five years	171	213
Total future minimum lease payments	**452**	**363**

14. TANGIBLE AND INTANGIBLE ASSETS, LESS ACCUMULATED DEPRECIATION AND AMORTIZATION

	Building BYR million	Agricultural equipment BYR million	Computer equipment BYR million	Vehicles BYR million	Intangible assets and other tangible assets BYR million	Total BYR million
At cost restated for inflation						
31 December 2004	4,279	10,246	584	266	630	**16,005**
Additions	5	44	71	-	40	**160**
Disposals	-	-	-	-	(5)	**(5)**
31 December 2005	4,284	10,290	655	266	665	**16,160**
Accumulated depreciation and amortization						
31 December 2004	42	1,387	141	64	115	**1,749**
Charge for the period	43	955	127	38	94	**1,257**
Disposals	-	-	-	-	(1)	**(1)**
31 December 2005	85	2,342	268	102	208	**3,005**
Net book value						
31 December 2005	**4,199**	**7,948**	**387**	**164**	**457**	**13,155**
Net book value						
31 December 2004	**4,237**	**8,859**	**443**	**202**	**515**	**14,256**

As of 31 December 2005 and 2004 agricultural equipment with net book value of BYR 6,432 million and BYR 7,211 million, respectively, was leased under finance lease arrangements. Amounts payable under the finance leases are disclosed in Note 19.

15. OTHER ASSETS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

	31 December 2005 BYR million	31 December 2004 BYR million
Taxes receivable, other than income taxes	1,320	1,664
Receivables on services to agricultural sector	1,069	659
Materials and inventory	229	219
Prepaid expenses and other debtors	135	402
Settlements on capital investments	7	1
Other	36	19
	2,796	2,964
Less allowance for impairment losses	(296)	(153)
Total other assets, less allowance for impairment losses	**2,500**	**2,811**

Movements in allowances for impairment losses for the year ended 31 December 2005 and 2004 are disclosed in Note 5.

Taxes receivable as of 31 December 2005 and 31 December 2004 include value added tax ("VAT") amounts of BYR 1,233 million and BYR 1,431 million respectively, that relate to payables of subsidiary LLC "Agrodelo" under finance lease, which it intends to offset against VAT liabilities arising on its revenue.

16. LOANS FROM BANKS

Loans from banks comprise:

	31 December 2005 BYR million	31 December 2004 BYR million
Loans from banks	12,514	10,352
Accrued interest expense on loans from banks	68	2
Total loans from banks	**12,582**	**10,354**

As of 31 December 2005, included into loans from banks is BYR 7,198 million (including BYR 4,760 million denominated in Belarusian Roubles and BYR 2,438 million denominated in US dollars) from JSSB "Belarusbank" (Republic of Belarus), which represents 57% of total loans from banks. Loans and advances to banks include balances on special account with the same bank of the same amount, which was received from shareholders for increase in share capital (Note 11).

As of 31 December 2004, included into loans from banks was BYR 4,687 million from OJSC "Kazcommerzbank" (Republic of Kazakhstan) and BYR 3,515 million from JSC "Bank TuranAlem" (Republic of Kazakhstan) denominated in US dollars, which represent, respectively, 45% and 34% of total loans from banks.

As of 31 December 2005 loans from banks included loan in EUR in amount of BYR 892 million, received from a Belarusian bank and loans to banks included loan to the same bank denominated in BYR in the amount of BYR 880 million, with the same maturity (Note 11).

As of 31 December 2004 loans from banks included loans denominated in EUR received from two Belarusian banks in the amount of BYR 1,915 million, and loans to banks included loans to the same banks denominated in US dollars in the amount of BYR 1,927 million, with the same maturity (Note 11).

17. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2005 BYR million	31 December 2004 BYR million
Current accounts and deposits repayable on demand	3,365	2,438
Time deposits	1,352	1,036
Total customer accounts	**4,717**	**3,474**

	31 December 2005 BYR million	31 December 2004 BYR million
Analysis by industry:		
Trade	2,838	2,474
Individual entrepreneurs	505	40
Manufacturing	459	368
Insurance	367	176
Transport	287	187
Construction	26	57
Non-for-profit organizations	19	10
Other	216	162
Total customer accounts	**4,717**	**3,474**

As of 31 December 2005 and 2004 customer accounts amounting to BYR 1,743 million (37% of total customer accounts) and BYR 1,694 million (49% of total customer accounts), respectively, were held by five customers, which represented significant concentration.

18. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2005 BYR million	31 December 2004 BYR million
Interest bearing promissory notes	-	518
Interest free promissory notes	8	38
Accrued interest expense on debt securities issued	-	1
Total debt securities issued	**8**	**557**

As of 31 December 2004 interest rate on promissory notes denominated in Belarusian Roubles was 18% per annum. There were no promissory notes denominated in foreign currencies.

During the years 2005 and 2004 the Bank issued interest free promissory notes used by its customers in commercial settlements. Nil interest rates on such promissory notes approximate market rates for similar financial instruments.

19. OBLIGATIONS UNDER FINANCE LEASE

Amounts payable under finance lease agreements as of 31 December 2005 and 31 December 2004 comprise the following:

	31 December 2005 BYR million	31 December 2004 BYR million
Not later than one year	4,701	3,925
Later than one year not later than five years	4,077	7,244
Total minimum lease payments	8,778	11,169
Less: future finance charges	(696)	(1,783)
Present value of lease obligations	**8,082**	**9,386**
Not later than one year	4,352	3,125
Later than one year not later than five years	3,730	6,261
Present value of lease obligations	**8,082**	**9,386**

According to its policy the Group leased certain agricultural equipment under finance leases. The average original lease term is 5 years. The lessor on the leases outstanding as of 31 December 2005 and 31 December 2004 is JSC "Gorodeya Sugar Refinery", the minority shareholder of the Bank's subsidiary LLC "Agrodelo". All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Group's obligations under finance leases are secured by the lessor's legal title to the leased assets.

As of 31 December 2005 and 2004 obligations under finance lease included accrued interest expense in the amount of BYR 733 million and BYR 249 million, respectively.

20. OTHER PROVISIONS

Other provisions comprise:

	31 December 2005 BYR million	31 December 2004 BYR million
Provisions for letters of credit	176	-
Provisions for guarantees	-	28
Provisions for credit commitments	-	86
Total provisions	**176**	**114**

Movements in provisions for the years ended 31 December 2005 and 2004 are disclosed in Note 5.

21. OTHER LIABILITIES

	31 December 2005 BYR million	31 December 2004 BYR million
Amounts payable to shareholders in respect of not registered contributions to share capital	10,069	-
Taxes payable, other than income taxes	247	81
Other creditors	140	258
Net position on forward deals	11	-
Total other liabilities	**10,467**	**339**

As of 31 December 2005 other liabilities included amounts, received from shareholders for share capital increase, which was in the process of registration by the NB RB. Corresponding cash was placed on temporary account in the NB RB (Note 10) and special account in the JSSB "Belarusbank" (Note 11). In January 2006 those amounts were returned to shareholders upon shareholders' decision to cancel the additional share issue after the NB RB rejected the registration of changes to the Bank's Charter related to additional share issue due to the failure to submit the full set of documents required for registration in time established by the NB RB.

Net position on forward and spot deals is as follows:

	Nominal amount	Fair value		Net fair value
		Asset	Liability	
31 December 2005				
Foreign currency contracts				
Forwards	5,221	5,210	(5,221)	(11)
Spots	1,331	1,331	(1,331)	-
Net position		**6,541**	**(6,552)**	**(11)**

22. SUBORDINATED DEBT

As of 31 December 2005 the Bank had subordinated debt from JSC "Bank TuranAlem" (the Republic of Kazakhstan), denominated in US dollars and amounting to BYR 4,334 million, including interest accrued in the amount of BYR 30 million. The contracted maturity of this debt is 17 March 2010 and interest rate is 9.25% per annum.

As of 31 December 2004 the Bank had subordinated debt from JSC "Lateco Bank" (Latvia) denominated in US dollars and amounting to BYR 4,687 million. In February 2005 the entire debt to JSC "Lateco Bank" was settled.

23. SHAREHOLDERS' EQUITY

As of 31 December 2005 and 2004 the authorized, issued and fully paid share capital comprised of 100 ordinary shares with a par value of BYR 110,700,000 each (at historical cost). All shares are ranked equally and carry one vote.

As of 31 December 2005 and 2004 part of retained earnings of the Bank calculated in accordance with statutory legislation, in amount of BYR 3,067 million and BYR 1,958 million (before restatement for the effect of hyperinflation, unaudited), respectively, represents the reserve fund created in compliance with Belarusian legislation to cover general banking risks including future losses, other unforeseen risks and contingent liabilities. This fund was created in accordance with the Bank's charter, which stipulated the retaining of profits for these purposes amounting to at least 25% of the Bank's share capital recorded in the Bank's statutory accounting and was not distributable to shareholders.

24. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Group is a party to financial instruments with off-balance sheet risks in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

As of 31 December 2005 and 2004 the provision for losses on letters of credit, guarantees and off-balance sheet credit commitments and contingencies amounted to BYR 176 million and 114 million, respectively (Note 20).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2005 and 2004 the nominal or contract amounts and risk weighted amounts were the following:

	31 December 2005		31 December 2004	
	Nominal Amount	**Risk Weighted Amount**	**Nominal Amount**	**Risk Weighted Amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	108	108	118	118
Letters of credit and other contingent liabilities relating to trade transactions	3,587	1,794	-	-
Commitments on credits and unused credit lines	464	-	939	7
Total contingent liabilities and credit commitments	**4,159**	**1,902**	**1,057**	**125**

Capital commitments – The Group had no material commitments for capital expenditures outstanding as of 31 December 2005.

Operating lease commitments – The Group had no material rental commitments outstanding as of 31 December 2005 and 2004.

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

Pensions and retirement plans – Employees of the Group receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. As of 31 December 2005 and 2004, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

25. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group (this includes holding companies, subsidiaries and fellow subsidiaries);

(b) Associates – enterprises in which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers of the Group (also non-executive directors and close members of the families of such individuals);

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Group and enterprises that have a member of key management in common with the Group;

(f) Parties with joint control over the Group;

(g) Joint ventures in which the Group is a venturer; and

(h) Post-employment benefit plans for the benefit of employees of the Group, or of any entity that is a related party to the Group.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions outstanding with related parties as of 31 December 2005 and 2004:

	31 December 2005 BYR million		**31 December 2004 BYR million**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Shareholders with significant influence over the Group:				
Loans and advances to banks	12	16,210	-	13,193
Loans from banks	1,149	12,582	3,515	10,354
Customer accounts	10	4,717	43	3,474
Other liabilities	10,069	10,467	-	339
Subordinated debt	4,334	4,334	-	4,687
Minority shareholder with significant influence over the subsidiary				
Other assets	2	2,500	315	2,811
Obligations under finance lease	8,082	8,082	9,386	9,386

During the year ended 31 December 2005 the Group placed loans and advances with banks – related parties (shareholders with significant influence over the Group) totaling BYR 53,756 million and recovered loans and advances totaling BYR 53,745 million.

For the years ended 31 December 2005 and 2004 the Bank attracted loans and advances from banks – related parties (shareholders with significant influence over the Group) totaling BYR 60,675 million and BYR 13,805 million, respectively, and repaid loans and advances totaling BYR 62,665 million and BYR 10,038, respectively. Interest accrued by the Group on loans and advances from related parties amounted to BYR 67 million and BYR 1 million as of 31 December 2005 and 2004, respectively.

For the years ended 31 December 2005 and 2004 the Group received account placements from customers – related parties (shareholders with significant influence over the Group) amounting to BYR 55 million and BYR 108 million, respectively, and wrote off accounts of related parties in the amount of BYR 86 million and BYR 62 million.

Included in the income statement for the years ended 31 December 2005 and 2004 are the following amounts recognized on transactions with related parties:

	Year ended 31 December 2005 BYR million		Year ended 31 December 2004 BYR million	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Shareholders with significant influence over the Group:				
Interest expense	625	2,478	30	1,192
Commission expense	163	347	-	127
Other income	33	201	11	130
Minority shareholder with significant influence over the subsidiary				
Interest expense	518	2,478	537	1,192
Revenue from services to agricultural sector	604	2,787	747	2,833
Key management personnel				
Operating expenses	174	6,160	111	5,138

Compensation of key management personnel of the Bank for the years ended 31 December 2005 and 2004 included in operating expenses in the above table represented short-term compensations.

26. SEGMENT REPORTING

The Group uses business segments as the basis for reporting of primary segment information.

The Group is organized on the basis of two business segments:

- Banking and finance – includes mainly services to corporate customers (current accounts, deposits, loan and other credit facilities, foreign currency transactions), finance lease services and proprietary trading in securities. Segment is represented by the Bank and subsidiary UE “Astanainvest”;
- Services to agricultural sector – includes services to agricultural farms on cultivating of agricultural crops. Segment is represented by the Bank’s subsidiary LLC “Agrodelo”.

Transactions between the business segments represent finance lease granted by the Bank to the subsidiary and subsidiary’s deposits with the Bank. These transactions are on normal commercial terms and conditions. There are no other material items of income or expense between the business segments.

Segment information about these businesses is presented below.

	Banking and finance BYR million	Agricultural services BYR million	Eliminations BYR million	2005 Consolidated BYR million
External revenues	7,204	3,791	-	10,995
Revenues from other segments	406	-	(406)	-
Total revenues	7,610	3,791	(406)	10,995
Costs and expenses	(5,714)	(3,657)	133	(9,238)
Profit from operations	1,896	134	(273)	1,757
(Loss)/ gain on net monetary position	(1,007)	616	(25)	(416)
Profit before taxation	889	750	(298)	1,341
Income taxes expenses	(247)	(311)	-	(558)
Net profit	**642**	**439**	**(298)**	**783**
Attributable to:				
Shareholders of the Bank	642	395	(298)	739
Minority interest	-	44	-	44
Total assets	**51,021**	**10,364**	**(993)**	**60,392**
Total liabilities	**32,305**	**9,890**	**(1,175)**	**41,020**
Other segment items				
Capital expenditure	(121)	(46)	-	(167)
Depreciation and amortization expense	(297)	(960)	-	(1,257)

	Banking and finance BYR million	Agricultural services BYR million	Eliminations BYR million	2004 Consolidated BYR million
External revenues	6,207	2,835	-	9,042
Revenues from other segments	143	10	(153)	-
Total revenues	6,350	2,845	(153)	9,042
Costs and expenses	(4,107)	(3,872)	347	(7,632)
Profit/ (loss) from operations	2,243	(1,027)	194	1,410
(Loss)/ gain on net monetary position	(1,702)	1,037	4	(661)
Profit before taxation	541	10	198	749
Income taxes expense	-	(254)	-	(254)
Net profit/loss	**541**	**(244)**	**198**	**495**
Attributable to:				
Equity holders of the parent	541	(219)	198	520
Minority interest	-	(25)	-	(25)
Total assets	**37,315**	**11,406**	**(967)**	**47,754**
Total liabilities	**19,243**	**11,371**	**(1,449)**	**29,165**
Other segment items				
Capital expenditure	(617)	(2,914)	-	(3,531)
Depreciation and amortization expense	(240)	(1,192)	-	(1,432)

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. As no readily available market exists for a large part of the Group's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

As of 31 December 2005 and 2004 the following methods and assumptions were used by the Group to estimate the fair value of each class of financial instrument for which it was practicable to estimate such value:

***Cash and balances with the National Bank of the Republic of Belarus* -** For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Loans and advances to banks - As of 31 December 2005 and 2004 the carrying amount of loans and advances to banks is a reasonable estimate of their fair value.

***Financial instruments at fair value through profit or loss* -** As of 31 December 2005 and 2004 securities held for trading are stated at fair value, determined with reference to an active market. Fair value of other securities included in this category upon initial recognition was determined with reference to an active market for those securities quoted publicly or at over-the-counter market.

***Loans to customers* -** The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for impairment losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees and collateral obtained. Accordingly, the allowance for impairment losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

***Loans from banks* -** As of 31 December 2005 and 2004 the carrying amount of loans from banks is a reasonable estimate of their fair value.

Customer accounts - As of 31 December 2005 and 2004 the carrying amount of time deposits and current accounts of the Bank's customers is a reasonable estimate of their fair value.

***Debt securities issued* -** Debt securities issued are stated at cost, adjusted for amortization of premium or discounts, which approximates fair value.

***Obligations under finance lease* -** As of 31 December 2005 and 2004 the fair value of the Bank's lease obligations approximates their carrying amount.

***Subordinated debt* -** As of 31 December 2005 and 2004 the carrying amount of subordinated debt is a reasonable estimate of its fair value.

Derivative financial instruments – As of 31 December 2005 derivative financial instruments are stated at fair value obtained from the interest rates model.

28. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk weighted assets.

The ratio was calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

Estimate	Description of position
0%	Cash and balances with the NB RB
0%	State debt securities denominated in BYR
20%	Loans and advances to banks for up to 1 year, securities issued by banks
100%	Loans to customers
100%	Guarantees issued
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
50%	Letters of credit not secured by customers deposits
100%	Other assets

As of 31 December 2005 the Group's total capital amount for capital adequacy purposes was BYR 23,148 million and tier 1 capital amount was BYR 19,372 million with ratios 65% and 55%, respectively.

As of 31 December 2004 the Group's total capital amount for capital adequacy purposes was BYR 22,924 million and tier 1 capital amount was BYR 18,589 million with ratios 67% and 54%, respectively.

As of 31 December 2005 and 2004 the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, calculated in accordance with Basle Committee requirements for amortization in the last 5 years to maturity (20% per year) and limited to 50% of tier 1 capital (Note 22). In the event of bankruptcy or liquidation of the Group repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

29. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the banking business of the Group. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates, price risk. A description of the Group's risk management policies in relation to those risks follows.

The Group manages the following risks:

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

Insufficient liquidity risk refers to the situation when the Bank lacks the possibility to meet financial commitments with its clients and creditors in proper time or this will require sale of separate assets on terms unprofitable for the Bank. Excessive liquidity risk refers to receipts deficit due to excess of assets with high liquidity and sequent financing of assets with low liquidity at the expense of paid resources. The purpose of liquidity risk management is the reduction of assets and liabilities imbalance and the Bank's potential losses minimizing.

Measurement of liquidity risk is performed by the use of stress-testing by Analytical department. Stress-testing includes modeling of positive and negative course of events. Results of testing are submitted to the management of the Bank for decision-making on liquidity management.

Operating management of liquidity risk is performed by Finance Committee. Daily meetings of Finance Committee include monitoring of current liquidity position, analysis of major events for the previous working day which affected liquidity and monitoring the current state of financial markets. Control over the solvency of the Bank is performed by Treasury by compiling daily payment balance (payment position) in national and foreign currencies. The payment position is used to compare expected incoming and outgoing payments.

Interest rate risk

Interest rate risk includes cash flow interest rate risk and fair value interest rate risk.

Cash flow interest rate risk - the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

Measurement and assessment of acceptable level of interest rate risk is performed with the use of stress-testing by Analytical department. Stress-testing is mid-term or long-term modeling including evaluation of interest sensitivity gaps of assets and liabilities, planned level of interest yield on assets and expense on liabilities, interest rate spread and margin taking into account internal and external factors, planned growth of balance sheet items and changes in structure of assets and liabilities. Results of stress-testing are submitted to management for decision making on interest risk management.

Control over the interest rate risk is performed by the following means:

- quarterly reporting on interest-bearing assets and liabilities as required by the NB RB, annual analysis of interest sensitivity gaps and comparison to amounts derived from stress-testing (Analytical department);
- quarterly analysis of net interest income, spread and margin, yield on assets and expense on liabilities against the forecast (Analytical department);
- daily analysis of interest income and expenses within assessment of financial result of the Bank (Department of budgeting and pricing);
- analysis of current state and forecast of changes in financial markets and interest rates (Treasury).

The majority of loan agreements and other interest bearing assets and liabilities have floating interest rates or the agreement clauses permit the change of interest rates by the creditor.

The following table presents an analysis of interest rate risk as of 31 December 2005 and 2004. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2005		31 December 2004	
	BYR	Foreign currencies	BYR	Foreign currencies
ASSETS:				
Loans to banks	5.9%	9.5%	22.0%	3.0%
Financial instruments at fair value through profit or loss, including:				
- securities held for trading	11.8%	-	20.9%	-
- other securities	12.6%	-	27.0%	-
Loans to customers	21.3%	15.5%	25.0%	15%
LIABILITIES:				
Loans from banks	2.2%	4.3%	-	4.4%
Customer accounts, including				
- current accounts and deposits repayable on demand	0.5%	0.2%	0.1%	-
- time deposits	5.6%	8.9%	17.0%	8.0%
Debt securities issued	-	-	18.0%	-
Obligations under finance lease	8.3%	7.2%	8.3%	7.2%
Subordinated debt	-	9.25%	-	5%

The following tables present an analysis of interest rate risk and liquidity risk on balance sheet.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Overdue	Maturity un-defined (incl. other provisions)	31 December 2005 Total BYR million
ASSETS:							
Loans and advances to banks	5,850	640	-	-	-	-	6,490
Financial instruments at fair value through profit or loss	7,702	1,902	-	-	-	-	9,604
Loans to customers, less allowance for impairment losses	2,165	6,538	3,482	1,633	-	-	13,818
Total interest bearing assets	15,717	9,080	3,482	1,633	-	-	29,912
Cash and balances with the NB RB	4,737	-	-	-	-	368	5,105
Loans and advances to banks	9,720	-	-	-	-	-	9,720
Tangible and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	13,155	13,155
Other assets, less allowance for impairment losses	134	234	126	1,233	773	-	2,500
TOTAL ASSETS	30,308	9,314	3,608	2,866	773	13,523	60,392
LIABILITIES:							
Loans from banks	11,548	-	1,034	-	-	-	12,582
Customer accounts	995	238	119	-	-	-	1,352
Obligations under finance lease	210	420	1,888	3,730	1,834	-	8,082
Subordinated debt	30	-	-	4,304	-	-	4,334
Total interest bearing liabilities	12,783	658	3,041	8,034	1,834	-	26,350
Customer accounts	3,365	-	-	-	-	-	3,365
Debt securities issued	8	-	-	-	-	-	8
Other provisions	-	-	-	-	-	176	176
Income tax liabilities	109	-	-	-	-	545	654
Other liabilities	10,176	291	-	-	-	-	10,467
TOTAL LIABILITIES	26,441	949	3,041	8,034	1,834	721	41,020
Liquidity gap	3,867	8,365	567	(5,168)			
Interest sensitivity gap	2,934	8,422	441	(6,401)			
Cumulative interest sensitivity gap	2,934	11,356	11,797	5,396			
Cumulative interest sensitivity gap as a percentage of total assets	5%	19%	20%	9%			

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Overdue	Maturity undefined (incl. other provisions)	31 December 2004 Total BYR million
ASSETS:							
Loans and advances to banks	4,737	-	-	-	-	-	4,737
Financial instruments at fair value through profit or loss	2,031	-	-	-	-	-	2,031
Loans to customers, less allowance for impairment losses	3,743	7,078	1,738	1,637	-	-	14,196
Total interest bearing assets	10,511	7,078	1,738	1,637	-	-	20,964
Cash and balances with the NB RB	1,033	-	-	-	-	234	1,267
Loans and advances to banks, less allowance for impairment losses	8,456	-	-	-	-	-	8,456
Tangible and intangible assets, less accumulated depreciation and amortization	-	-	-	-	-	14,256	14,256
Other assets, less allowance for impairment losses	561	54	595	1,550	51	-	2,811
TOTAL ASSETS	20,561	7,132	2,333	3,187	51	14,490	47,754
LIABILITIES:							
Loans from banks	10,120	234	-	-	-	-	10,354
Customer accounts	906	-	130	-	-	-	1,036
Debt securities issued	519	-	-	-	-	-	519
Obligations under finance lease	488	480	2,157	6,261	-	-	9,386
Subordinated debt	-	-	-	4,687	-	-	4,687
Total interest bearing liabilities	12,033	714	2,287	10,948	-	-	25,982
Customer accounts	2,438	-	-	-	-	-	2,438
Debt securities issued	38	-	-	-	-	-	38
Other provisions	-	-	-	-	-	114	114
Income tax liabilities	-	-	-	-	-	254	254
Other liabilities	42	297	-	-	-	-	339
TOTAL LIABILITIES	14,551	1,011	2,287	10,948	-	368	29,165
Liquidity gap	6,010	6,121	46	(7,761)			
Interest sensitivity gap	(1,522)	6,364	(549)	(9,311)			
Cumulative interest sensitivity gap	(1,522)	4,842	4,293	(5,018)			
Cumulative interest sensitivity gap as a percentage of total assets	(3%)	10%	9%	(11%)			

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 Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The purpose of currency risk management is reduction in probability of loss occurrence and its minimization.

The procedures for measurement of currency risk and calculation of open currency position are regulated by instructions of the NB RB and internal policy on calculation and control of open currency position. Calculation of total open currency position is performed by Forex dealing department in Treasury. Control over the level of accepted currency risk is performed by Treasury and includes the following:

- analysis of current state and forecast of movements in exchange rates on financial markets, analysis of impact of exchange rates changes to the level of currency risk;
- monitoring open currency position;
- suggesting ways and taking measures for optimization of open currency position, conversion of currencies with open position.

The Group's exposure to foreign currency exchange rate risk is presented in the tables below:

	BYR	**USD** USD 1 = BYR 2,152	**EUR** EUR 1 = BYR 2,546.35	**RUR** RUR 1= BYR 74.86	**Other currencies**	**31 December 2005 Total BYR million**
ASSETS:						
Cash and balances with the NB RB	2,196	2,754	18	128	9	5,105
Loans and advances to banks	10,280	5,066	155	708	1	16,210
Financial instruments at fair value through profit or loss	9,604	-	-	-	-	9,604
Loans to customers, less allowance for impairment losses	2,065	11,490	263	-	-	13,818
Tangible and intangible assets, less accumulated depreciation and amortization	13,155	-	-	-	-	13,155
Other assets, less allowance for impairment losses	2,500	-	-	-	-	2,500
TOTAL ASSETS	39,800	19,310	436	836	10	60,392
LIABILITIES:						
Loans from banks	6,960	4,730	892	-	-	12,582
Customer accounts	3,749	346	277	345	-	4,717
Debt securities issued	8	-	-	-	-	8
Obligations under finance lease	3,648	-	4,434	-	-	8,082
Other provisions	-	176	-	-	-	176
Income tax liabilities	654	-	-	-	-	654
Other liabilities	5,110	5,357	-	-	-	10,467
Subordinated debt	-	4,334	-	-	-	4,334
TOTAL LIABILITIES	20,129	14,943	5,603	345	-	41,020
OPEN BALANCE SHEET POSITION	19,671	4,367	(5,167)	491	10	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts is included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as of 31 December 2005:

	BYR	**USD** USD 1 = BYR 2,152	**EUR** EUR 1 = BYR 2,546.35	**RUR** RUR 1=BYR 74.86	**Other currencies**	**31 December 2005 Total BYR million**
Liabilities on spot and forward deals	6,297	-	255	-	-	6,552
Claims on spot and forward deals	-	6,541	-	-	-	6,541
NET POSITION ON SPOT AND FORWARD DEALS	(6,297)	6,541	(255)	-	-	(11)
TOTAL OPEN POSITION	13,374	10,908	(5,422)	491	10	

	BYR	USD USD 1 = BYR 2,170	EUR EUR 1 = BYR 2,955.65	RUR RUR 1=BYR 77.91	Other currencies	31 December 2004 Total BYR million
ASSETS:						
Cash and balances with the NB RB	1,140	66	13	48	-	1,267
Loans and advances to banks, less allowance for impairment losses	2,755	8,885	509	1,041	3	13,193
Financial instruments at fair value through profit or loss	2,031	-	-	-	-	2,031
Loans to customers, less allowance for impairment losses	432	13,089	675	-	-	14,196
Tangible and intangible assets, less accumulated depreciation and amortization	14,256	-	-	-	-	14,256
Other assets, less allowance for impairment losses	2,809	2	-	-	-	2,811
TOTAL ASSETS	23,423	22,042	1,197	1,089	3	47,754
LIABILITIES:						
Loans from banks	-	8,438	1,916	-	-	10,354
Customer accounts	2,546	327	116	484	1	3,474
Debt securities issued	557	-	-	-	-	557
Obligations under finance lease	3,026	-	6,360	-	-	9,386
Other provisions	2	103	9	-	-	114
Income tax expenses	254	-	-	-	-	254
Other liabilities	339	-	-	-	-	339
Subordinated debt	-	4,687	-	-	-	4,687
TOTAL LIABILITIES	6,724	13,555	8,401	484	1	29,165
OPEN BALANCE SHEET POSITION	16,699	8,487	(7,204)	605	2	

Price risk

Price risk – Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Identification, measurement, setting criteria for acceptability and control of credit risk level is performed by Credit risks department.

Credit risk is the risk that the borrower will fail to repay the principal or interest due to the creditor in due time. The purpose of the credit risk management is the reduction of probability of the borrower’s default and minimization of the Bank’s losses.

Assessment of credit risk in respect of individual borrowers is performed by Credit risk department in course of evaluation of borrower's initial application for loan, ongoing monitoring and when changes in loan terms are considered. The process of credit risk assessment process includes assessment of probability of loan repayment by the borrower and possible amount Bank's loss in case of default.

Assessment of credit risk for counterparty banks is based on evaluation of financial performance and ability to return loans and advances in time. Additional information about counterparty banks, the history of business relationships and reputation are also taken into account.

Control procedures over the level of credit risk include:
- systematic monitoring of loan instruments originated by different departments of the Bank;
- reporting by Credit risks department on results of credit risk monitoring (loans portfolio quality, creation and use of allowances) to Credit Committee;
- reporting to the Board, Supervisory Board and General Shareholders' meeting on significant risks, loans portfolio quality, assessment of overall amount of financial loss in case of risk events occurrence.

Control procedures over the level of accepted credit risks in respect of loans and advances to banks include:
- analysis of negative information of non-financial nature during the period between re-approval of limits (Credit risks department);
- monitoring of adherence to approved limits (sublimits) by functional departments which use the limits (Treasury, Department of trade financing, Settlements department);
- subsequent control over adherence to overall limits for counterparty banks (Settlements department head);
- monitoring of reasonableness and utilization of limits/sublimits (Credit risks department).

For most loans the Group obtains collateral and corporate and personal guarantees, however , a portion of loans represents loans to individuals, where obtaining collateral or guarantees is not practicable. Credit risks on such loans are monitored on a continuous basis.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions.

With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Geographical concentration

Finance Committee performs control over the risk of changes in legislation and evaluates its impact on the activities of the Group.

The geographical concentration of assets and liabilities is set out below:

	Belarus	Other CIS countries	OECD countries	31 December 2005 Total BYR million
ASSETS:				
Cash and balances with the NB RB	5,105	-	-	5,105
Loans and advances to banks	13,814	725	1,671	16,210
Financial instruments at fair value through profit or loss	9,604	-	-	9,604
Loans to customers, less allowance for impairment losses	13,818	-	-	13,818
Tangible and intangible assets, less accumulated depreciation and amortization	13,155	-	-	13,155
Other assets, less allowance for impairment losses	2,500	-	-	2,500
TOTAL ASSETS	57,996	725	1,671	60,392
LIABILITIES:				
Loans from banks	10,320	2,262	-	12,582
Customer accounts	4,699	18	-	4,717
Debt securities issued	8	-	-	8
Obligations under finance lease	8,082	-	-	8,082
Other provisions	176	-	-	176
Income tax liabilities	654	-	-	654
Other liabilities	340	4,818	5,309	10,467
Subordinated debt	-	4,334	-	4,334
TOTAL LIABILITIES	24,279	11,432	5,309	41,020
OPEN POSITION	33,717	(10,707)	(3,638)	

	Belarus	Other CIS countries	OECD countries	Other non-OECD countries	31 December 2004 Total BYR million
ASSETS:					
Cash and balances with the NB RB	1,267	-	-	-	1,267
Loans and advances to banks, less allowance for impairment losses	4,727	5,685	558	2,223	13,193
Finance instruments at fair value through profit or loss	2,031	-	-	-	2,031
Loans to customers, less allowance for impairment losses	14,196	-	-	-	14,196
Tangible and intangible assets, less accumulated depreciation and amortization	14,256	-	-	-	14,256
Other assets, less allowance for impairment losses	2,811	-	-	-	2,811
TOTAL ASSETS	39,288	5,685	558	2,223	47,754
LIABILITIES:					
Loans from banks	1,915	8,205	-	234	10,354
Customer accounts	3,339	43	92	-	3,474
Debt securities issued	557	-	-	-	557
Obligations under finance lease	9,386	-	-	-	9,386
Other provisions	114	-	-	-	114
Income tax liabilities	254	-	-	-	254
Other liabilities	339	-	-	-	339
Subordinated debt	-	-	-	4,687	4,687
TOTAL LIABILITIES	15,904	8,248	92	4,921	29,165
OPEN POSITION	23,384	(2,563)	466	(2,698)	

30. UNCERTAINTY

Economy of the Republic of Belarus - Currently the economy of the Republic of Belarus is characterized by relatively high rates of taxation and extensive statutory regulation. In recent years inflation has significantly decreased, however, still it is assessed to be on a higher level. Laws and regulations defining the business environment in the Republic of Belarus are at the stage of development and subject to frequent changes. The future economic development depends to a large extent on the efficiency of the measures taken by the Government of Belarus and other actions beyond the Group's control. The recoverability of the Group's assets and the ability of the Group to maintain or pay its debts as they mature, as well as the future operations of the Group are heavily dependent on future direction of the economic policy of the Government of the Republic of Belarus.

The management of the Group made its best estimate on the recoverability and classification of recorded assets and completeness of recorded liabilities. However, the uncertainty described above still exists and the Group may continue to be affected by it.

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 Group may face additional taxes and charges and other preventive measures. The management of the Group believes that it has already made all tax and other payments or accruals, and therefore no additional allowance has been made in the financial statements. Past fiscal years remain open to review by the authorities.

31. EVENTS AFTER THE BALANCE SHEET DATE

Starting from 1 January 2006 the principles of taxation for the banks of the Republic of Belarus have changed. Major changes include cancellation of tax exemption for the newly established banks with foreign investments and reduction of republican tax rate from 30% to the 24% and municipal tax rate from 4% to 3%, and inclusion of payroll and depreciation expenses to deductible expenses. Profit from the operations with securities (except those issued by the government) will be taxed at the rate of 40%.