Translation from the original in Russian

Closed joint-stock company Minsk Transit Bank

IFRS Financial Statements

Year ended 31 December 2014
Together with Independent Auditors' Report

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Translation from the original in Russian

Совершенствуя бизнес, улучшаем мир

Ernst & Young LLC
Klary Tsetkin Street, 51A, 15th floor
Minsk, 220004, Republic of Belarus
Tel: +375 (17) 240 4242
Fax: +375 (17) 240 4241
www.ey.com/by

ООО «Эрнст энд Янг»
Республика Беларусь, 220004, Минск
ул. Клары Цеткин, 51А, 15 этаж
Тел.: +375 (17) 240 4242
Факс: +375 (17) 240 4241

Audit report of independent audit entity on the financial statements of Closed joint-stock company "Minsk Transit Bank" for the period ended 31 December 2014

To Chairman of the Management Board
of the Closed joint-stock company "Minsk Transit Bank"
A. K. Zhyshkevich

To the Shareholders and Supervisory Board of Closed joint-stock company "Minsk Transit Bank"

We have audited the accompanying financial statements of Closed joint-stock company "Minsk Transit Bank" (hereinafter the "Bank"), which comprise the statement of financial position as of 31 December 2014, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year 2014, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Management of audited entity for the preparation of financial statements

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

Responsibility of audit entity

Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Law of the Republic of Belarus "On Auditing Activity" of 12 July 2013, National Rules for Auditing Activities effective in the Republic of Belarus and with International Standards on Auditing. Those rules and standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

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Audit opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Closed joint-stock company "Minsk Transit Bank" as of 31 December 2014, and its financial performance and its cash flows for the year 2014 in accordance with International Financial Reporting Standards.

P.A. Laschenko
Partner, FCCA
Director of Ernst & Young LLC

19 February 2015

Details of the audited entity

Name: Closed joint-stock company "Minsk Transit Bank"
Registered by the National Bank of the Republic of Belarus on 14 March 1994, State Registration Number 38.
Address: 220033, Republic of Belarus, Minsk, 6-a Partizansky Avenue.

Details of the audit entity

Name: Ernst & Young Limited Liability Company
Registered by the Minsk Executive Committee on 7 April 2005, State Registration Number 577
Address: Klary Tsetkin Street, 51A, 15th floor, Minsk, 220004, Republic of Belarus.

Statement of financial position

as of 31 December 2014

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014)

	Notes	*2014*	*2013*
Assets			
Cash and cash equivalents	5	807,094	1,043,092
Amounts due from credit institutions	6	83,347	70,700
Derivative financial assets	7	4,127	158
Loans to customers	8	3,306,929	3,601,937
Investment securities available-for-sale	9	145,508	97,761
Investment property	10	72,249	–
Property and equipment	11	120,047	114,846
Intangible assets	12	48,282	35,722
Other assets	15	66,097	78,559
Total assets		**4,653,680**	**5,042,775**
Liabilities			
Amounts due to credit institutions	16	266,699	677,443
Derivative financial liabilities	7	685	440
Amounts due to customers	17	2,863,948	2,957,997
Debt securities issued	18	248,931	379,350
Other borrowed funds	19	227,480	217,008
Current income tax liabilities		10,708	16,162
Deferred income tax liabilities	13	47,894	21,845
Provisions	14	1,627	3,363
Other liabilities	15	63,011	43,150
Subordinated debt	20	116,903	106,077
Total liabilities		**3,847,886**	**4,422,835**
Equity	21		
Share capital		570,136	570,136
Retained earnings		237,844	51,999
Reserve for unrealized losses on investment securities available-for-sale		(2,186)	(2,195)
Total equity		**805,794**	**619,940**
Total equity and liabilities		**4,653,680**	**5,042,775**

Signed and authorized for release on behalf of the Management Board of CJSC "MTBank"

A. K. Zhyshkevich — Chairman of the Management Board

D. P. Shidlovich — Finance Director

11 February 2015

Statement of profit or loss

For the year ended 31 December 2014

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014)

	Notes	*2014*	*2013*
Interest income			
Loans to customers		1,378,114	1,292,469
Investment securities available-for-sale		47,674	39,424
Amounts due from credit institutions		32,698	48,740
		1,458,486	**1,380,633**
Interest expense			
Amounts due to customers		(542,524)	(630,606)
Debt securities issued		(69,352)	(43,051)
Amounts due to credit institutions		(27,117)	(51,468)
Other borrowed funds		(14,289)	(14,697)
Subordinated debt		(6,034)	(6,355)
		(659,316)	**(746,177)**
Net interest income		**799,170**	**634,456**
Allowance for loan impairment	8	(326,269)	(136,737)
Net interest income after allowance for loan impairment		**472,901**	**497,719**
Fee and commission income	24	303,999	264,792
Fee and commission expense	24	(75,345)	(80,417)
Net gains/(losses) from investment securities available-for-sale		7,573	4,552
Net gains from foreign currencies	23	65,069	73,958
Change in fair value of investment property	10	12,240	–
Gain on initial recognition	20	5,984	–
Other income	25	43,320	20,821
Non-interest income		**362,840**	**283,706**
Personnel expenses	26	(241,791)	(209,765)
Depreciation and amortization	11, 12	(32,811)	(26,118)
Other operating expenses	26	(206,824)	(183,704)
Other impairment and provisions	14	(555)	(1,438)
Non-interest expense		**(481,981)**	**(421,025)**
Profit before loss on net monetary position and income tax expense		**353,760**	**360,400**
Loss on net monetary position		(83,961)	(65,390)
Profit before income tax expense		**269,799**	**295,010**
Income tax expense	13	(69,323)	(59,776)
Profit for the year		**200,476**	**235,234**

Statement of comprehensive income

For the year ended 31 December 2014

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014)

	Notes	*2014*	*2013*
Profit for the year		**200,476**	**235,234**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Realized gains on investment securities available-for-sale reclassified to the statement of profit or loss		(7,573)	(4,552)
Unrealized gains on investment securities available-for-sale		7,582	3,761
Other net comprehensive income/(expense)/ to be reclassified to profit or loss in subsequent periods		**9**	**(791)**
Other comprehensive income/(expense) for the year		**9**	**(791)**
Total comprehensive income for the year		**200,485**	**234,443**

The accompanying notes on pages 6 to 54 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2014

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014)

	Share capital	*Retained earnings /(accumulated deficit)*	*Reserve for unrealized losses on investment securities available-for-sale*	*Total*
31 December 2012	**570,136**	**(128,753)**	**(1,404)**	**439,979**
Profit for the year	–	235,234	–	**235,234**
Other comprehensive loss for the year	–	–	(791)	**(791)**
Total comprehensive income for the year	**–**	**235,234**	**(791)**	**234,443**
Dividends (Note 21)	–	(54,482)	–	**(54,482)**
31 December 2013	**570,136**	**51,999**	**(2,195)**	**619,940**
Profit for the year	–	200,476	–	**200,476**
Other comprehensive income for the year	–	–	9	**9**
Total comprehensive income for the year	**–**	**200,476**	**9**	**200,485**
Dividends (Note 21)	–	(14,631)	–	**(14,631)**
31 December 2014	**570,136**	**237,844**	**(2,186)**	**805,794**

Statement of cash flows

For the year ended 31 December 2014

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014)

	Notes	*2014*	*2013*
Cash flows from operating activities			
Interest received		1,294,350	1,239,353
Interest paid		(690,729)	(738,523)
Fee and commission received		303,193	264,447
Fees and commissions paid		(75,894)	(80,453)
Realized gains less losses from dealing in foreign currencies		71,301	105,071
Other income received		46,496	21,201
Personnel expenses paid		(221,380)	(203,917)
Other operating expenses paid		(209,121)	(184,184)
Cash flows from operating activities before changes in operating assets and liabilities		**518,216**	**422,995**
Net (increase)/ decrease in operating assets			
Amounts due from credit institutions		(18,036)	(54,146)
Loans to customers		(225,155)	(909,888)
Other assets		4,007	(27,156)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(369,062)	458,105
Amounts due to customers		207,548	70,591
Other liabilities		1,111	11,598
Net cash flows from operating activities before income tax		**118,629**	**(27,901)**
Income tax paid		(41,398)	(21,329)
Net cash flows from operating activities		**77,231**	**(49,230)**
Cash flows from investing activities			
Purchase of investment securities		(6,391,604)	(3,163,297)
Proceeds from sale and redemption of investment securities		6,342,298	3,190,897
Purchase of investment property		(28,716)	–
Purchase of property and equipment and intangible assets	11,12,15	(44,912)	(78,333)
Proceeds from sale of property and equipment and intangible assets		184	12,704
Net cash flows used in investing activities		**(122,750)**	**(38,029)**
Cash flows from financing activities			
Proceeds from issue of debt securities		1,398,686	1,149,146
Redemption of debt securities issued		(1,472,089)	(879,037)
Proceeds from other borrowed funds		102,728	117,027
Repayment of other borrowed funds		(95,398)	(169,427)
Attraction of subordinate loan		10,781	–
Dividends paid		(12,706)	(51,691)
Net cash used in financing activities		**(67,998)**	**166,018**
Monetary loss on cash and cash equivalents		(161,124)	(198,902)
Effect of exchange rates changes on cash and cash equivalents		38,643	33,748
Net decrease in cash and cash equivalents		**(235,998)**	**(86,395)**
Cash and cash equivalents, 1 January	5	**1,043,092**	**1,129,487**
Cash and cash equivalents, 31 December	5	**807,094**	**1,043,092**

During the year ended 31 December 2014 the Bank received property through repossession of collateral pledged under the default loans in the amount of BYR 31,293 million that was classified as investment property and equipment in the amount of BYR 5,136 million, which represents non-cash transactions.

During the year ended 31 December 2014 the Bank offset current income tax liabilities against the prepayment for taxes other than income tax in the amount BYR 2,183 million.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

1. Principal activities

Closed joint-stock company "Minsk Transit Bank" (hereinafter - CJSC "MTBank" or the "Bank") was registered under the laws of the Republic of Belarus by the National Bank of the Republic of Belarus (hereinafter - the "National Bank") on 14 March 1994 as a closed joint stock commercial bank with foreign investment. The Bank's activities are regulated by the National Bank. The Bank operates under banking license No. 13 issued by the National Bank of the Republic of Belarus on 22 December 2012. The Bank also possesses permit (license) No. 02200/5200-1246-1112 for securities operations issued by the Ministry of Finance of the Republic of Belarus (extended until 29 July 2022 based on Decision No. 145 of 16 May 2012).

The Bank accepts deposits from the public and extends credit, transfers payments in the Republic of Belarus and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. Its head office is in Minsk. The Bank's registered legal address is 6-a Partizansky Avenue, Minsk, Republic of Belarus.
The Bank is a member of the national deposit insurance system.

As of 31 December 2014, the Bank's structure includes the Head Office, 8 centers for banking services and 50 outlets located in Minsk, Brest, Gomel, Vitebsk, Mogilev, Molodechno, Zhodino, Bobruisk, Baranovichi and Lida.

As of 31 December 2014 and 2013, the Bank had neither subsidiaries nor associates.

As of 31 December 2014 and 2013, the Bank's outstanding share capital was owned by the following shareholders:

Shareholder	***%***
MTB Investments Holdings Limited, Cyprus	98.97
Other	1.03
Total	**100.00**

As of 31 December 2014, the Bank's largest shareholders were three individuals: Oleg Ilgizovich Husaenov (Russia), Sergey Nikolaevich Savitsky (Russia) and Igor Vyacheslavovich Malgin (Russia). They own, directly or indirectly, in aggregate over 64% of the Bank's share capital (2013: over 64%). None of these individuals ultimately owned more than 50% of the Bank's share capital in 2014 and 2013.

2. Basis of preparation

General

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

The Bank is required to maintain accounting records and prepare financial statements for regulatory purposes in Belarusian roubles in accordance with Belarusian accounting and banking legislation and related instructions ("BAS"). These financial statements are based on the Bank's BAS accounting records, as adjusted and reclassified in order to comply with IFRS.

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

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

Inflation accounting

With effect from 1 January 2011, the Belarusian economy has been considered to be hyperinflationary in accordance with the criteria in IAS 29 *Financial Reporting in Hyperinflationary Economies*. Accordingly, adjustments and reclassifications for the purposes of presentation of IFRS financial statements include restatement, in accordance with IAS 29, for changes in the general purchasing power of the Belarusian rouble.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

2. Basis of preparation (continued)

Inflation accounting (continued)

The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date.

In applying IAS 29, the Bank has used conversion factors derived from the Belarusian consumer price index ("CPI"), published by the National Statistical Committee of the Republic of Belarus. The CPIs for the nine year period and respective conversion factors after Belarus previously ceased to be considered hyperinflationary on 1 January 2006 are as follows:

Year	***Index, %***	***Conversion factors***
2006	106,6	528,8
2007	112,1	471,8
2008	113,3	416,4
2009	110,1	378,2
2010	109,9	344,1
2011	208,7	164,9
2012	121,8	135,4
2013	116,5	116,2
2014	116,2	100,0

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary units current as of 31 December 2014. Non-monetary assets and liabilities (items which are not yet expressed in terms of the monetary unit current as of 31 December 2014) are restated by applying the relevant index. The effect of inflation on the Bank's net monetary position is included in the statement of profit or loss as loss on net monetary position.

The application of IAS 29 results in an adjustment for the loss of purchasing power of the Belarusian rouble recorded in the statement of profit or loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss is the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the statement of comprehensive income. The corresponding figures for the year ended 31 December 2013 have also been restated so that they are presented in terms of the purchasing power of the Belarusian rouble as of 31 December 2014.

3. Summary of accounting policies

Changes in accounting policies

The Bank has adopted the following amended IFRS and IFRIC which are effective for annual periods beginning on or after 1 January 2014:

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Bank, since the Bank does not qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities − Amendments to IAS 32
These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments had no impact on the Bank’s financial position.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. This IFRIC had no impact on the Bank’s financial statements as it has applied the recognition principles under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* consistent with the requirements of IFRIC 21 in prior years.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. This amendment is not relevant to the Bank, since the Bank has not novated its derivatives during the current period.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments had no impact on the Bank's financial position or performance.

Fair value measurement

The Bank measures financial instruments, such as trading and available-for-sale securities, derivatives and non-financial assets such as investment property, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 28.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest .A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- Level 3 − Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets

Initial recognition

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

The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Financial assets (continued)

Date of recognition

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of repurchase in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognized in the statement of profit or loss.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Bank has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortized cost. Gains and losses are recognized in the statement of profit or loss when the investments are impaired, as well as through the amortization process.

Loans and receivables

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

Available-for-sale financial assets

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

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Cash and cash equivalents

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

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements (“repos”) are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position, unless they are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the statement of profit or loss. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments, including foreign currency forwards and swaps. Such financial instruments are held for trading and are initially recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors.

Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss as net gains/ (losses) from foreign currencies dealing.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions, amounts due to customers, debt securities issued and other borrowed funds. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of profit or loss when the borrowings are derecognized as well as through the amortization process.

If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the statement of profit or loss.

Leases

i. Finance – Bank as lessor

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

ii. Operating – Bank as lessee

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

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Bank determines that the fair value at initial recognition differs from the transaction price, then:

- ► if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Bank recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- ► in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Bank recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognized.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- ► the normal course of business;
- ► the event of default; and
- ► the event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Impairment of financial assets

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

Amounts due from credit institutions and loans to customers

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

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Loans together with the associated allowance are written off according to the decision of the Bank's Management Board when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the statement of profit or loss.

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

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

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

Available-for-sale financial investments

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

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the statement of profit or loss – is reclassified from other comprehensive income to the statement of profit or loss.

Impairment losses on equity investments are not reversed through the statement of profit or loss; increases in their fair value after impairment are recognized in other comprehensive income.

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

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.
The accounting treatment of such restructuring is as follows:

- If the currency of the loan has been changed, the old loan is derecognized and the new loan is recognized in the statement of financial position;
- If the loan restructuring is not caused by the financial difficulties of the borrower, the Bank uses a similar approach as in respect of the derecognition of financial liabilities described below.
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is deemed impaired after this restructuring, the Bank recognizes the difference between the present values of the future cash flows discounted using the original effective interest rate and the carrying amount before the restructuring as an expense for impairment in the reporting period. In case loan is not impaired after restructuring the Bank recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized in the statement of financial position where:

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

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

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

Financial liabilities

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

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

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit and guarantees. Financial guarantees are initially recognized in the financial statements at fair value, in "Other liabilities", being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the statement of profit or loss. The premium received is recognized in the statement of profit or loss on a straight-line basis over the life of the guarantee.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Belarus.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Belarus also has various operating taxes that are assessed on the Bank's activities. These taxes are included as a component of other operating expenses.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment, as adjusted for hyperinflation. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

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

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

	Years
Buildings	7-100
Computers and office equipment	5-10
Vehicles	6-9
Furniture and fixtures	5-50

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted as appropriate, at each financial year-end. Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

Intangible assets include computer software and licenses for software and activities that must be licensed.

Intangible assets acquired separately are measured on initial recognition at cost, as adjusted for hyperinflation. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets have finite useful lives and are amortised over the periods of 3 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Investment property

The Bank classifies investment property as real estate held by the owner or lessee under a finance lease agreement, including property under construction or reconstruction for future use as investment property, to earn rentals or for capital appreciation or both, rather than for use in the supply of services or for administrative purposes; or sale in short-term perspective in the ordinary course of business. Investment property also includes assets with undefined use at the date of recognition or at reporting date.

Investment property is initially recognized at cost, including transaction costs, and subsequently remeasured at fair value reflecting market conditions at the end of the reporting period. Fair value of the Bank's investment property is determined on the base of various sources including reports of independent appraisers, who hold a recognized and relevant professional qualification and who have recent experience in valuation of property of similar location and category.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Bank and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

Gains and losses resulting from changes in the fair value of investment property are recorded in statement of profit and loss as change in fair value of investment property. Earned rental income is recorded in the statement of profit or loss within other income.

The investment property is derecognized at its disposal or final withdrawal from operation when after the disposal of the investment property item it is not expected to receive economic benefits.

Provisions

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

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the state pension system of the Republic of Belarus, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no significant post-retirement benefits.

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity.

Non-cash contributions are included into the share capital at the fair value of the contributed assets as of the contribution date.

Dividends

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

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed when an inflow of economic benefits is probable.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Recognition of income and expenses

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

Interest and similar income and expense

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

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

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers.

Fees earned for the provision of services over a period of time are accrued over that period. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Foreign currency translation

The financial statements are presented in Belarusian roubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss as net gains from foreign currencies. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate of the National Bank of the Republic of Belarus on the date of the transaction are included in gains less losses from dealing in foreign currencies.

The official exchange rates applied in the preparation of the financial statements as of 31 December 2014 and 2013 are as follows:

	31 December 2014	*31 December 2013*
USD/BYR	11,850.00	9,510.00
EUR/BYR	14,380.00	13,080.00
RUR/BYR	214.50	290.50

As of the date of authorisation of these financial statements for issue the official exchange rates were as follows: USD/BYR –14,910.00, EUR/BYR – 16,990.00, RUR/BYR – 238.50.

3. Summary of accounting policies (continued)

Future changes in accounting policies

Standards and interpretations issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 *Leases*, insurance contracts within the scope of IFRS 4 *Insurance Contracts* and financial instruments and other contractual rights and obligations within the scope of *IAS 39 Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments,* if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is effective for annual periods beginning on or after 1 July 2014. It is not expected that this amendment would be relevant to the Bank, since the Bank does not have defined benefit plans with contributions from employees or third parties.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank given that the Bank has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Bank as the Bank does not have any bearer plants.

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments will not have any impact on the Bank's financial statements.

Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary is recognised only to the extent of unrelated investors' interests in that former subsidiary. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Annual improvements 2010-2012 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition
- A performance target must be met while the counterparty is rendering service
- A performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
- A performance condition may be a market or non-market condition
- If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- An entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'
- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

IFRS 13 Short-term Receivables and Payables – Amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and are not expected to have a material impact on the Bank. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- Joint arrangements, not just joint ventures, are outside the scope of IFRS 3
- This scope exception applies only to the accounting in the financial statements of the joint arrangement itself

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable).

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination.

Meaning of effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no impact on the Bank, since the Bank is an existing IFRS preparer.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

Annual improvements 2012-2014 Cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Bank. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 7 Financial Instruments: Disclosures – servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures - applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that “An entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.
The amendment removes the phrase ’and interim periods within those annual periods’, clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

4. Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant uses of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models.

The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. More details are presented in Note 28.

Allowance for loan impairment

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers.

Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2014	***2013***
Cash on hand	172,885	325,550
Current accounts with the National Bank of the Republic of Belarus	298,692	523,247
Current accounts with other credit institutions	121,832	141,242
Time deposits with credit institutions up to 90 days	213,685	53,053
Cash and cash equivalents	**807,094**	**1,043,092**

As of 31 December 2014, current accounts with credit institutions include BYR 77,561 million (2013: BYR 29,880 million) placed with 5 banks (2013: 7 banks) in the member countries of Organization for Economic Co-operation and Development (hereinafter – “OECD”).

As of 31 December 2013, the Bank placed an equivalent of BYR 28,737 million in USD as deposit with the Belarusian bank with original maturity of 3 days and received an equivalent of BYR 28,739 million on a current account in USD in the same bank (Note 16).

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2014	***2013***
Time deposits for more than 90 days	63,966	43,671
Obligatory reserves with the National Bank of the Republic of Belarus	19,381	27,029
Amounts due from credit institutions	**83,347**	**70,700**

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6. Amounts due from credit institutions (continued)

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the National Bank of the Republic of Belarus, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

As of 31 December 2014, the amounts due from credit institutions included BYR 3,563 million placed as collateral for obligations under settlements using plastic cards and international payment systems (2013 – BYR 8,259 million).

As of 31 December 2014, the amounts due from credit institutions included BYR 60,403 million placed as collateral for obligations under interbank loan (Note 16).

As of 31 December 2013, the Bank placed an equivalent of BYR 35,096 million in USD and EUR as deposits with the Belorussian bank and obtained an equivalent of BYR 35,096 million on deposit accounts in USD and EUR in the same bank (Note 16).

7. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative’s underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	2014			*2013*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange contracts						
Swaps – domestic with Belarusian banks	59,265	4,118	–	90,857	–	(404)
Forwards - foreign contracts	14,386	9	(677)	82,540	108	(27)
Forwards - domestic contracts	7,214	–	(8)	71,891	50	(9)
Total derivative assets/ liabilities	**80,865**	**4,127**	**(685)**	**245,288**	**158**	**(440)**

Swaps

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

Forwards

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

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8. Loans to customers

Loans to customers comprise:

	2014	*2013*
Loans to individuals	2,156,111	2,102,319
Loans to legal entities	1,390,772	1,681,729
Finance leases	98,652	43,293
Total loans to customers	**3,645,535**	**3,827,341**
Less - Allowance for impairment	(338,606)	(225,404)
Loans to customers	**3,306,929**	**3,601,937**

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	Corporate banking 2014	*Retail banking 2014*	*Total 2014*
At 1 January 2014	**47,454**	**177,950**	**225,404**
Monetary effect	(5,354)	(11,432)	**(16,786)**
Amounts written-off	(17,522)	(185,126)	**(202,648)**
Translation differences	5,117	1,250	**6,367**
Charge for the year	13,572	312,697	**326,269**
At 31 December 2014	**43,267**	**295,339**	**338,606**
Individual impairment	25,964	–	**25,964**
Collective impairment	17,303	295,339	**312,642**
	43,267	**295,339**	**338,606**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**141,053**	**–**	**141,053**

	Corporate banking 2013	*Retail banking 2013*	*Total 2013*
At 1 January 2013	**68,264**	**84,092**	**152,356**
Monetary effect	(9,385)	(8,475)	**(17,860)**
Amounts written-off	(3,628)	(46,529)	**(50,157)**
Translation differences	4,239	89	**4,328**
Charge for the year	(12,036)	148,773	**136,737**
31 December 2013	**47,454**	**177,950**	**225,404**
Individual impairment	32,739	–	**32,739**
Collective impairment	14,715	177,950	**192,665**
	47,454	**177,950**	**225,404**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**346,167**	**–**	**346,167**

Individually impaired loans

Interest income accrued on loans, for which individual impairment allowances have been recognised, for the year ended 31 December 2014, comprised BYR 19,664 million (2013: BYR 44,307 million).

Collateral and other credit enhancements

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

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8. Loans to customers (continued)

Collateral and other credit enhancements (continued)

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities,
- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For car lending, pledge of financed car.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

As of 31 December 2013, loans to customers included BYR 30,265 million issued using borrowings from the other bank. The Bank does not bear risk of default under such loans; however, the transaction does not meet the criteria for offsetting the financial asset against financial liability.

Concentration of loans to customers

As of 31 December 2014, the Bank had a concentration of loans represented by BYR 371,142 million due from the ten largest third party entities (10% of gross loan portfolio) (2013: BYR 397,192 million, or 10% of gross loan portfolio). An allowance of BYR 15,059 million (2013: BYR 11,433 million).

Loans have been extended to the following types of customers:

	2014	*2013*
Individuals	2,156,111	2,102,319
Private companies	1,440,004	1,668,175
State companies	49,420	56,847
	3,645,535	**3,827,341**

Loans are made principally within the Republic of Belarus in the following industry sectors:

	2014	*2013*
Individuals	2,156,111	2,102,319
Wholesale and retail trade	781,138	1,061,485
Manufacturing	263,599	256,781
Transport	100,750	103,925
Construction	67,922	34,233
Real estate	53,865	89,753
Food industry	51,378	57,294
Other	170,772	121,551
	3,645,535	**3,827,341**

Finance lease receivables

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

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Total 2013*
Gross investment in finance leases	76,097	33,950	**110,047**
Unearned future finance income on finance leases	(6,855)	(4,540)	**(11,395)**
Net investments in finance leases	**69,242**	**29,410**	**98,652**

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8. Loans to customers (continued)

Finance lease receivables (continued)

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

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Total 2012*
Gross investment in finance leases	32,736	18,214	**50,950**
Unearned future finance income on finance leases	(5,330)	(2,327)	**(7,657)**
Net investments in finance leases	**27,406**	**15,887**	**43,293**

9. Investment securities available-for-sale

Available-for-sale securities comprise:

	2014	*2013*
Bonds issued by Belarusian banks	63,993	64,036
Bonds issued by republican governmental bodies	81,185	33,395
Investments in equity instruments	330	330
Available-for-sale securities	**145,508**	**97,761**

10. Investment property

The movements in investment property were as follows:

	2014 г.
1 January	–
Additions	60,009
Disposals	–
Change in fair value of investment property	12,240
31 December	**72,249**

As of 31 December 2014 gain from change in fair value of investment property is unrealized.

As of 31 December 2014 the measurement of fair value of investment property was performed by professional external valuers based on the income method. Income method is based on future discounted cash flow from use of investment property.

The table below summarizes the amount or rental income and direct operating expenses arising from the investment property and recognized in profit or loss for the year:

	2014
Rental income derived from investment properties (Note 25)	1,311
Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income	(524)
	787

Bank has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

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11. Property and equipment

The movements in property and equipment were as follows:

	Buildings	*Computers and office equipment*	*Motor vehicles*	*Furniture and fixtures*	*Assets under construction*	*Total*
Cost						
1 January 2014	**36,827**	**71,565**	**6,855**	**49,954**	**5,984**	**171,185**
Additions	3,742	12,089	357	8,244	383	**24,815**
Transfers	5,607	–	–	377	(5,984)	**–**
Disposals	–	–	(142)	(431)	–	**(573)**
31 December 2014	**46,176**	**83,654**	**7,070**	**58,144**	**383**	**195,427**
Accumulated depreciation						
1 January 2014	**(5,112)**	**(31,690)**	**(3,851)**	**(15,686)**	**–**	**(56,339)**
Depreciation charge	(2,160)	(11,142)	(764)	(5,504)	–	**(19,570)**
Disposals	–	–	142	387	–	**529**
31 December 2014	**(7,272)**	**(42,832)**	**(4,473)**	**(20,803)**	**–**	**(75,380)**
Net book value						
1 January 2014	**31,715**	**39,875**	**3,004**	**34,268**	**5,984**	**114,846**
31 December 2014	**38,904**	**40,822**	**2,597**	**37,341**	**383**	**120,047**

	Buildings	*Computers and office equipment*	*Motor vehicles*	*Furniture and fixtures*	*Assets under construction*	*Total*
Cost						
1 January 2013	**30,932**	**50,270**	**5,624**	**40,385**	**3,463**	**130,674**
Additions	14,817	21,305	1,231	11,262	3,571	**52,186**
Transfers	1,036	–	–	14	(1,050)	**–**
Disposals	(9,958)	(10)	–	(1,707)	–	**(11,675)**
31 December 2013	**36,827**	**71,565**	**6,855**	**49,954**	**5,984**	**171,185**
Accumulated depreciation						
1 January 2013	**(4,973)**	**(22,788)**	**(3,158)**	**(12,720)**	**–**	**(43,639)**
Depreciation charge	(1,557)	(8,912)	(693)	(4,429)	–	**(15,591)**
Disposals	1,418	10	–	1,463	–	**2,891**
31 December 2013	**(5,112)**	**(31,690)**	**(3,851)**	**(15,686)**	**–**	**(56,339)**
Net book value						
1 January 2013	**25,959**	**27,482**	**2,466**	**27,665**	**3,463**	**87,035**
31 December 2013	**31,715**	**39,875**	**3,004**	**34,268**	**5,984**	**114,846**

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12. Intangible assets

The movements in intangible assets were as follows:

	2014	*2013*
Cost		
1 January	**57,473**	**44,349**
Additions	25,801	22,198
Disposals	(770)	(9,074)
31 December	**82,504**	**57,473**
Accumulated amortization		
1 January	**(21,751)**	**(18,799)**
Amortization charge	(13,241)	(10,527)
Disposals	770	7,575
31 December	**(34,222)**	**(21,751)**
Net book value		
1 January	**35,722**	**25,550**
31 December	**48,282**	**35,722**

13. Taxation

The corporate income tax expense comprises:

	2014	*2013*
Current tax charge	40,225	37,221
Deferred tax charge – origination and reversal of temporary differences	29,098	22,555
Income tax expense	**69,323**	**59,776**

Belarusian legal entities must file individual tax declarations. The tax rate for banks on profits other than on state securities was 18% for 2014 and 2013. Since 1 January 2015 the income tax rate for banks is established at 25%. The Bank calculates deferred tax assets and liabilities as of 31 December 2014 and 2013 using 25% and 18% tax rate respectively.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2014	*2013*
Profit before tax	**269,799**	**295,010**
Statutory tax rate	18%	18%
Theoretical income tax expense at statutory rate	**48,564**	**53,102**
Securities tax credits	(10,796)	(9,336)
Capital investment tax credits	(423)	–
Non-deductible expenditures:		
- salaries and bonuses	592	3,351
- other	1,923	2,122
Income recognised for tax purposes only	573	301
Additional (taxable income)/deductible expenses in the tax records for tax purposes	(24)	149
Effect of change in income tax rate	13,410	–
Reversal of property revaluation for tax purposes	(1,114)	(2,008)
Effect of loss on net monetary position	16,618	12,095
Income tax expense	**69,323**	**59,776**

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13. Taxation (continued)

Deferred tax assets and liabilities as of 31 December and their movements for the respective years comprise:

	2012	*Origination and reversal of temporary differences in the statement of profit or loss*	*Gain/ (loss) on tax base due to inflation*	*2013*	*Origination and reversal of temporary differences in the statement of profit or loss*	*Gain/ (loss) on tax base due to inflation*	*2014*
Tax effect of deductible temporary differences:							
Derivative financial liabilities	–	44	–	44	(38)	(6)	–
Loans to customers	5,278	(4,532)	(746)	–	–	–	–
Amounts due to customers	–	1,777	–	1,777	(770)	(248)	759
Other assets	4,218	(2,780)	(597)	841	861	(117)	1,585
Other borrowed funds	811	(696)	(115)	–	–	–	–
Other liabilities	2	(2)	–	–	116	–	116
Gross deferred tax asset	**10,309**	**(6,189)**	**(1,458)**	**2,662**	**169**	**(371)**	**2,460**
Tax effect of taxable temporary differences:							
Cash and cash equivalents	(69)	(136)	9	(196)	169	27	–
Amounts due from credit institutions	(374)	(23)	52	(345)	(556)	48	(853)
Derivative financial assets	(41)	7	6	(28)	(1,008)	4	(1,032)
Loans to customers	–	(15,879)	–	(15,879)	(19,518)	2,216	(33,181)
Investment securities available-for-sale	(239)	(29)	34	(234)	(13)	33	(214)
Investment property	–	–	–	–	(3,361)	–	(3,361)
Property and equipment	(631)	(600)	89	(1,142)	(1,938)	159	(2,921)
Intangible assets	(4,462)	3,141	631	(690)	(1,346)	96	(1,940)
Amounts due to credit institutions	(897)	558	127	(212)	182	30	–
Derivative financial liabilities	–	–	–	–	(18)	–	(18)
Debt securities issued	(288)	(653)	41	(900)	387	126	(387)
Other borrowed funds	–	(227),	–	(227)	195	32	–
Provisions	(2,480)	(1,026)	351	(3,155)	(2,254)	440	(4,969)
Other liabilities	–	(1,499)	–	(1,499)	1,290	209	–
Subordinate debt	–	–	–	–	(1,478)	–	(1,478)
Deferred tax liability	**(9,481)**	**(16,366)**	**1,340**	**(24,507)**	**(29,267)**	**3,420**	**(50,354)**
Deferred tax asset/(liability, net	**828**	**(22,555)**	**(118)**	**(21,845)**	**(29,098)**	**3,049**	**(47,894)**

14. Other impairment and provisions

The movements in other impairment allowances and provisions were as follows:

	Other assets	*Guarantees and letters of credit*	*Total*
31 December 2012	**1,284**	**2,455**	**3,739**
Monetary effect	(181)	(349)	**(530)**
Charge	424	1,014	**1,438**
Translation differences	–	243	**243**
31 December 2013	**1,527**	**3,363**	**4,890**
Monetary effect	(213)	(469)	**(682)**
Charge/(reversal)	1,518	(963)	**555**
Translation differences	–	(304)	**(304)**
31 December 2014	**2,832**	**1,627**	**4,459**

The allowance for impairment of assets is deducted from the carrying amounts of the related assets. Provisions for claims, guarantees and letters of credit are recorded in liabilities.

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15. Other assets and liabilities

Other assets comprise:

	2014	*2013*
Prepayments and other debtors	28,152	25,867
Prepaid taxes other than income tax	20,745	4,944
Amounts receivable on banking operations	5,799	42,713
Inventory	5,372	558
Accrued commission income	4,230	3,802
Prepaid expenses	4,631	2,202
	68,929	**80,086**
Less – Allowance for impairment of other assets (Note 14)	(2,832)	(1,527)
Other assets	**66,097**	**78,559**

As of 31 December 2014, prepayments and other debtors include the amount of prepayment for equipment of BYR 6,699 million (2013: BYR 13,334 million).

As of 31 December 2013, amounts receivable on banking include cash for foreign currency sold in cash to other banks in the amount of BYR 28 669 million.

Other liabilities comprise:

	2014	*2013*
Taxes payable, other than income tax	23,294	4,521
Payables to personnel	22,396	14,962
Amounts payable on banking operations	6,233	10,447
Trade payables	3,819	3,774
Amounts due to Deposit Insurance Agency	3,309	3,829
Deferred income	573	2,795
Accrued commission expense	441	566
Other	2,946	2,256
Other liabilities	**63,011**	**43,150**

As of 31 December 2013, other liabilities include unpaid amount for reconstruction of the building in the amount of BYR 931 million.

16. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2014	*2013*
Time deposits and loans of foreign banks	171,098	225,168
Time deposits and loans of local banks	88,396	302,975
Loan of the National Bank of the Republic of Belarus	–	15,109
Current accounts	7,205	134,191
Amounts due to credit institutions	**266,699**	**677,443**

As of 31 December 2014, amounts due to credit institutions of BYR 164,833 million (62%) were due to three banks.

As of 31 December 2013, amounts due to credit institutions of BYR 216,273 million (32%) were due to three bank.

As of 31 December 2014, time deposits and loans of foreign banks include loan of BYR 59 280million, that secured by cash in the amount of 60 403 million placed on a current account in the same bank (Note 6).

As of 31 December 2013, time deposits and loans of foreign banks include syndicated loan of BYR 122,245 million, received in 2013 in USD from a group of CIS banks with annual interest rate of 7% maturing in April 2014.

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16. Amounts due to credit institutions (continued)

As of 31 December 2013, the Bank placed an equivalent of BYR 28,737 million in USD as deposit with the Belarusian bank with original maturity of 3 days and obtained BYR 28,739 million on a current account in USD in the same bank (Note 5).

As of 31 December 2013, the Bank placed an equivalent of BYR 35,096 million in USD and EUR as deposits with the Belorussian bank and obtained BYR 35,096 million on deposit accounts in USD and EUR in the same bank (Note 6).

17. Amounts due to customers

Amounts due to customers comprise:

	2014	*2013*
Time deposits	1,680,004	1,822,389
Current accounts	1,183,944	1,135,608
Amounts due to customers	**2,863,948**	**2,957,997**
Cash held as security against letters of credit	**18,650**	**12,784**

Included in time deposits are deposits held by the Bank as security against irrevocable letters of credit. The Bank is obliged to repay the deposits upon expiry of the respective letters of credit.

At 31 December 2014, amounts due to customers of BYR 382,017 million (13%) were due to the ten largest customers (2013: BYR 354,649 million (12%)).

Included in time deposits are deposits of individuals of BYR 563,996 million (2013 – BYR 956,868 million). In accordance with the Belarusian Banking Code, the Bank is obliged to repay such deposits within 5 days upon demand of a depositor. In the event that a time deposit is repaid upon demand of the depositor prior to maturity, interest is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

Amounts due to customers include accounts with the following types of customers:

	2014	*2013*
Private companies	1,590,830	1,486,229
Individuals	1,188,965	1,435,455
State organizations	84,153	36,313
Amounts due to customers	**2,863,948**	**2,957,997**

An analysis of customer accounts by economic sector is as follows:

	2014	*2013*
Individuals	1,188,965	1,435,455
Trade	824,977	770,539
Manufacturing	180,076	191,069
Transport	88,880	65,806
Construction	87,126	105,424
Software development and information technologies	76,161	23,469
Insurance	56,130	55,622
Individual entrepreneurs	42,226	30,796
Real estate	41,064	42,904
Non-for-profit organizations	38,962	7,365
Government bodies	33,528	–
Financial services	6,374	11,122
Telecommunications	4,459	12,688
Other	195,020	205,738
Amounts due to customers	**2,863,948**	**2,957,997**

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18. Debt securities issued

Debt securities issued are primary placed with non-public sales and comprised the following:

	2014	*Maturity*	*Effective interest rate*	*2013*	*Maturity*	*Effective interest rate*
Interest-bearing bonds in BYR	144,492	2015-2016	22%-36%	218,276	2014	21%-34%
Interest-bearing bonds in USD	60,857	2015	6%-7%	103,733	2014	7%
Interest-bearing bonds in EUR	43,582	2015	7%	57,341	2014	6%
Debt securities issued	**248,931**			**379,350**		

19. Other borrowed funds

Other borrowed funds comprised the following:

	2014	*2013*
European Bank for Reconstruction and Development	128,868	100,792
International Financial Corporation	39,470	73,374
Nordic Environment Finance Corporation (Note 27)	43,782	–
FMO Nederlandse Financiering Maatschappij Voor Ontwikkelingslanden	15,360	42,842
Other borrowed funds	**227,480**	**217,008**

20. Subordinated debt

As of 31 December 2014, subordinated debt consists of 2 loans attracted from MTB Investments Holdings Limited (the Bank's parent) in the total amount of USD 9,509 thousand (2013 – USD 9,598 thousand) and 2 loans attracted from legal entity in the total amount BYR 4,226 million:

	Initial date	*Maturity*	*Interest rate*	*2014*	*2013*
Subordinated loan 1 in USD	8 April 2010	8 April 2020	6%	55,287	51,946
Subordinated loan 2 in USD	29 April 2010	29 April 2020	6%	57,390	54,131
Subordinated loan 3 in BYR	23 July 2014	23 July 2023	5%	1,356	–
Subordinated loan 4 in BYR	17 October 2014	27 October 2023	5%	2,870	–
Subordinated debt				**116,903**	**106,077**

The third and fourth subordinated loans received from non-related party in the amount of BYR 3,000 million and BYR 7,000 million were adjusted on initial recognition so as to be recognized at fair value. The difference between fair value and nominal amount as of the date of initial recognition was recognized in statement of profit or loss in the amount of BYR 5,984 million.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

21. Equity

As of 31 December 2014 and 31 December 2013, the authorized, issued and fully paid share capital of the Bank comprised 141,448 ordinary shares with a nominal value of BYR 861,500 each. All shares have the same nominal value and carry one vote.

There were no movements in shares outstanding, issued and fully paid during 2014 and 2013. The table below shows the equity structure:

	Number of ordinary shares	*Nominal amount of ordinary shares*	*Inflation adjustment*	*Total*
31 December 2013 and 2014	141,448	121,857	448,279	**570,136**

At the Shareholders' Meeting in November 2014, the Bank declared dividends in respect of the year ended 31 December 2014, totaling BYR 14,631 million on ordinary shares (BYR 103,437 per share).

At the Shareholders' Meeting in February 2013, the Bank declared dividends in respect of the year ended 31 December 2012, totaling BYR 54,482 million on ordinary shares (BYR 385,173 per share).

In accordance with Belarusian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with BAS. The Bank had BYR 243,817 million of undistributed and unreserved earnings as of 31 December 2014 (2013: BYR 148,077 million).

Nature and purpose of other reserves

Unrealized losses on investment securities available-for-sale

This reserve records fair value changes on available-for-sale investments.

22. Commitments and contingencies

Operating environment

As an emerging market, the Republic of Belarus does not possess a well-developed business and regulatory infrastructure that would generally exist in more mature market economies. The Belarusian economy continues to display characteristics typical of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Belarus. The stability of the Belarusian economy is largely dependent upon the progress of reforms and the effectiveness of economic, financial and monetary measures undertaken by the Government.

In 2011, Belarus experienced significant deterioration of the macroeconomic situation. The deterioration was primarily due to the high current account deficit, decrease in, and restriction on, external financing sources, and significant shortage of foreign currency inflow at the beginning of 2011. These factors resulted in a significant decrease in the gold and foreign currency reserves of the National Bank in the first quarter of 2011, which was followed by foreign currency shortages and a significant decrease in the official exchange rate accompanied by the growth of inflation and an increase in the prime refinancing rate up to 45% as of 31 December 2011. The rate of inflation in 2011 was 108.7% (2012: 21.8%; 2013:16.5%).

The significant financial support provided by Russia (extension of loans in 2011 and 2012 and participation in privatization of state assets at the end of 2011) and a positive foreign trade balance contributed to a significant increase in reserves of the National Bank and stabilization of the macroeconomic situation in the country in 2012-2013. The basic refinancing rate was reduced to 23.5% as of 31 December 2013. In January-November 2014 signs of further stabilization of the economic situation in the country were noted. During this period the National Bank conducted gradual devaluation of the Belarusian rouble against major currencies and maintained conservative monetary policy, which had positive impact on money supply and interest rates on the financial market.

In 2014 Russia continued to provide significant financial support in the form of governmental and bank loans.
On 27 June 2014 Belarus received a short-term loan from bank VTB (Russia) in the amount of USD 2 billion matured in September 2014. In July and September 2014 Belarus additionally received 2 loans from the Government of Russian Federation in the amounts of USD 450 million and USD 1,550 million respectively maturing till 2029.

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22. Commitments and contingencies (continued)

Operating environment (continued)

In November-December 2014 devaluation expectations in respect of the Belarusian rouble increased due to the sharp fluctuations of the Russian rouble against USD, which resulted in significant growth in demand for foreign currency. As a result on 19 December 2014 the Government and the National Bank took a number of decisions to prevent the development of negative trends on the financial market. In particular, it was decided to increase the rate of compulsory sale of currency earnings from 30% to 50%. It also was decided to set a temporary stock-exchange fee for the purchase of foreign currency by individuals and legal entities that should be transferred to the budget. On 30 December 2014 the respective fee for the purchase of foreign currency was reduced to 20%. The rate of inflation in 2014 was 16.2%; the GDP grew by 1.6% in 2014. The basic refinancing rate was 20.0% as of 31 December 2014.

In January 2015 the National Bank continued to maintain the policy of stabilization of the financial market. The National Bank completely cancelled the fee for the purchase of foreign currency by individuals and legal entities and simultaneously devaluated the Belarusian rouble against major currencies on an average by 10.7% (against USD by 16.1%, against euro by 12.9%, against Russian rouble by 3%) in comparison with official exchange rate as of 31 December 2014. The basic refinancing rate was increased to 25.0%.

While management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the results and financial position of the Group and its borrowers. The degree of such impact on the Group's financial statements is not currently determinable.

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Taxation

Belarusian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for an indefinite period.

As of 31 December 2014, management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Commitments and contingencies

As of 31 December, the Bank's commitments and contingencies comprised the following:

	2014	*2013*
Credit related commitments		
Undrawn loan commitments	1,483,351	933,976
Guarantees	162,548	243,307
Letters of credit	42,976	44,065
	1,688,875	**1,221,348**
Less – Provisions (Note 14)	(1,627)	(3,363)
Commitments and contingencies (before deducting collateral)	**1,687,248**	**1,217,985**
Less – Cash held as security against letters of credit (Note 17)	(18,650)	(12,784)
Commitments and contingencies	**1,668,598**	**1,205,201**

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22. Commitments and contingencies (continued)

Commitments and contingencies (continued)

Under the terms of the loan agreements, the Bank reserves the right to withdraw from the loan commitments unilaterally.

The Bank had no significant commitments under non-cancellable contracts for operating leases as of 31 December 2014 and 2013.

The Bank had no significant capital expenditure commitments as of 31 December 2014 and 2013.

Insurance

The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions. Liability insurance is generally not available in the Republic of Belarus at present.

23. Net gains/(losses) from foreign currencies

	2014	*2013*
Dealing	71,087	73,279
Gains/(losses) from derivative financial instruments	3,899	873
Translation differences	(9,917)	(194)
Net gains/(losses) from foreign currencies	**65,069**	**73,958**

In 2014, the Bank's realised gains from derivative financial instruments amounted to BYR 261 million (2013: BYR 35,091 million); the amount of unrealised losses recognized in the statement of profit or loss amounted to BYR 3,638 million (2013: BYR 34,219 million).

In 2014 dealing operations include the foreign currency purchase fee for the individuals in the amount BYR 5,971 million (refer to Note 22).

24. Net fee and commission income

	2014	*2013*
Commissions on transactions with plastic cards	157,588	104,070
Settlements and cash transactions	90,587	97,848
Foreign exchange transactions	41,779	49,764
Documentary operations	11,107	10,176
Securities	2,423	1,063
Other	515	1,871
Fee and commission income	**303,999**	**264,792**
Commissions on transactions with plastic cards	(46,304)	(46,610)
Transactions with banks	(15,632)	(25,689)
Documentary operations	(5,903)	(3,179)
Foreign exchange transactions	(1,348)	(1,658)
Securities	(1,615)	(1,528)
Other	(4,543)	(1,753)
Fee and commission expense	**(75,345)**	**(80,417)**
Net fee and commission income	**228,654**	**184,375**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

25. Other income

	2014	*2013*
Revenue from debts previously written off	23,422	10,217
Fines and penalties received	17,047	5,601
Rental income from investment property	1,311	–
Net revenue from sale of property, equipment and intangible assets	140	2,421
Other	1,400	2,582
Total other income	**43,320**	**20,821**

26. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2014	*2013*
Salaries and bonuses	(182,206)	(159,374)
Social security costs	(54,449)	(45,344)
Other personnel expenses	(3,881)	(2,584)
Remuneration to a member of the Supervisory Board	(1,255)	(2,463)
Personnel expenses	**(241,791)**	**(209,765)**
Rent payments	(53,186)	(43,904)
Marketing and advertising	(32,564)	(29,925)
Expenses on maintenance of banking software	(17,295)	(15,804)
Payments to the Deposit Insurance Fund	(16,530)	(19,388)
Stationery and other office expenses	(11,434)	(8,131)
Communications	(8,960)	(4,722)
Taxes, other than on income	(8,855)	(7,350)
Repair and maintenance of property and equipment	(7,874)	(5,545)
Postal and courier services	(7,596)	(9,250)
Utilities	(6,510)	(6,597)
Professional services	(6,000)	(4,610)
Security expenses	(4,061)	(3,777)
Repair and maintenance of vehicles and fuel expenses	(3,365)	(2,836)
Entertainment expenses	(2,617)	(4,635)
Insurance	(2,254)	(2,021)
Charity and sponsorship expenses	(49)	(50)
Other expenses	(17,674)	(15,159)
Other operating expenses	**(206,824)**	**(183,704)**

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27. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

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

Risk management structure

The risk management system has a three level organisational structure, which includes collegial level, analytical divisions, and business-divisions.

The Supervisory Board is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

The Supervisory Board

The Supervisory Board is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board is responsible for annual budget planning, review and revision of the Bank's strategy, and considering main risks. The Management Board has the responsibility to monitor the overall risk process within the Bank, and to develop risk management structure.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Credit Committee

The Credit Committee is responsible for making decisions relating to those active transactions of the Bank, which are subject to credit risk, except for those under the authority of structural divisions. The Credit Committee decides on the possibility and on the basic terms of the transactions specified above.

Risk management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The Risk Management Unit participates in development of the overall risk strategy, carries out risk assessment of major banking transactions, monitors risks, and informs management of changes in major business areas.

Budgeting, Management Reporting and Control Department ("BCD")

BCD is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal audit

Risk management processes throughout the Bank are audited by the internal audit function that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

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27. Risk management (continued)

Introduction (continued)

Other organizational units

Organisational units of the Bank should comply with planned indicators and established limits, make operating decisions, and organise internal control and monitoring.

Risk measurement and reporting systems

The Bank exercises a systematic approach to risk management, having established the unified standards for identification, evaluation and mitigation of risks based on recommendations of the National Bank of the Republic of Belarus and Basel Committee on Banking Supervision. In accordance with the above mentioned standards, the Bank has developed and duly implemented risk management procedures for the main types of risks inherent in the Bank's operations.

The system of risk identification includes procedures, which allow to:

- Identify risks for new operations;
- Identify risks for typical operations;
- Identify significant changes in the level and character of risks accompanying the Bank's activities.

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on:

- Limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition, the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities;
- Reservation – creation of special provisions for expected losses;
- Diversification – dispersion of risk among various industries, risk objects and financial instruments to reduce the overall level of risk;
- Collateralisation – acceptance of average and above risks only if there is a legal right to recover expected losses by realization of respective collateral.

For the Bank's Management Board, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilization of established limits and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

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

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27. Risk management (continued)

Introduction (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

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

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations.

The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits.

In 2014, the Bank continued to follow a prudent and balanced credit policy in line with the following strategic priorities: maintaining a sufficiently high level of liquid assets and focusing on the provision of loans to individuals and small businesses.
The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions.

The credit risk management process includes the following: analyzing the borrower's financial soundness based on review of its financial statements, information available in mass media, credit history, quality and value of the loan collateral; monitoring credit risk by borrower, debt service, availability and integrity of the collateral; estimating and making adequate provisions for potential losses.

Results of credit worthiness analysis are regularly reviewed by the Credit Committee in the process of decision taking on the possibility of loan granting.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the guarantee given. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies. The probability of credit losses on credit-related commitments is considered to be lower as compared with that on financial instruments recognized in the statement of financial position, since the Bank may terminate its undrawn loan commitments.

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

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

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 8.

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27. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank according to the classification of financial assets established by instructions of the National Bank. This credit rating system is based on 5 groups of credit risk The criteria for assigning financial assets into particular risk groups include financial performance, debt service and the value and sufficiency of collateral.

The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the Bank's credit rating system.

In the table below loans to banks and customers of standard grade (the first risk group according to regulations of the National Bank) are those having a minimal level of credit risk and are well collateralised. Other borrowers with less good financial position and less good debt service, but not individually impaired, are included in the sub-standard grade.

		Neither past due nor individually impaired		*Past due but not individually impaired*		
	Notes	***Standard grade 2014***	***Sub-standard grade 2014***	***2014***	***Individually impaired 2014***	***Total 2014***
Amounts due from credit institutions (excluding obligatory reserves)	6	63,966	–	–	–	**63,966**
Loans to customers	8					
Loans to legal entities		1,140,525	114,597	93,249	141,053	**1,489,424**
Loans to individuals		1,560,596	10,156	585,359	–	**2,156,111**
		2,701,121	**124,753**	**678,608**	**141,053**	**3,645,535**
Investment securities available-for-sale	9	145,178	–	–	–	**145,178**
Total		**2,910,265**	**124,753**	**678,608**	**141,053**	**3,854,679**

		Neither past due nor individually impaired		*Past due but not individually impaired*		
	Notes	***Standard grade 2013***	***Sub-standard grade 2013***	***2013***	***Individually impaired 2013***	***Total 2013***
Amounts due from credit institutions (excluding obligatory reserves)	6	43,671	–	–	–	**43,671**
Loans to customers	8					
Loans to legal entities		1,153,652	191,311	33,892	346,167	**1,725,022**
Loans to individuals		1,667,550	27,929	406,840	–	**2,102,319**
		2,821,202	**219,240**	**440,732**	**346,167**	**3,827,341**
Investment securities available-for-sale	9	97,431	–	–	–	**97,431**
Total		**2,962,304**	**219,240**	**440,732**	**346,167**	**3,968,443**

An analysis of past due but not individually impaired loans by age is provided below.

It is the Bank's policy to maintain accurate and consistent risk ratings according to the National Bank's classification across the loan portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. The attributable risk ratings are assessed and updated regularly.

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27. Risk management (continued)

Credit risk (continued)

Ageing analysis of past due but not individually impaired loans per class of financial assets

	Less than 30 days 2014	***31 60 days 2014***	***61 90 days 2014***	***More than 90 days 2014***	***Total 2014***
Loans to customers					
Loans to legal entities	53,127	14,782	5,566	19,774	**93,249**
Loans to individuals	102,322	43,083	33,247	406,707	**585,359**
Total	**155,449**	**57,865**	**38,813**	**426,481**	**678,608**

	Less than 30 days 2013	***31 60 days 2013***	***61 90 days 2013***	***More than 90 days 2013***	***Total 2013***
Loans to customers					
Loans to legal entities	8,796	1,910	3,158	20,028	**33,892**
Loans to individuals	102,117	51,297	40,158	213,268	**406,840**
Total	**110,913**	**53,207**	**43,316**	**233,296**	**440,732**

See Note 8 for more detailed information with respect to the allowance for impairment of loans to customers.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Bank addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan on an individual basis. Items considered while determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including loans to individuals) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. The impairment allowance is then reviewed by credit management to ensure alignment with the Bank's overall policy.

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27. Risk management (continued)

Credit risk (continued)

Financial guarantees and letters of credit are assessed and provision is made in a similar manner as for loans.

The geographical concentration of the Bank's financial assets and liabilities is set out below:

	2014				*2013*			
	Belarus	*OECD*	*CIS and other countries*	*Total*	*Belarus*	*OECD*	*CIS and other countries*	*Total*
Assets								
Cash and cash equivalents	700,540	77,561	28,993	**807,094**	989,080	29,880	24,132	**1,043,092**
Amounts due from credit institutions	19,381	3,563	60,403	**83,347**	62,441	8,259	–	**70,700**
Derivative financial assets	4,118	–	9	**4,127**	51	19	88	**158**
Loans to customers	3,306,929	–	–	**3,306,929**	3,601,902	–	35	**3,601,937**
Investment securities available-for-sale	145,508	–	–	**145,508**	97,431	330	–	**97,761**
Other financial assets	24,678	–	–	**24,678**	51,542	–	–	**51,542**
	4,201,154	**81,124**	**89,405**	**4,371,683**	**4,802,447**	**38,488**	**24,255**	**4,865,190**
Liabilities								
Amounts due to credit institutions	95,594	111,838	59,267	**266,699**	452,275	66,462	158,706	**677,443**
Derivative financial liabilities	8	–	677	**685**	413	7	20	**440**
Amounts due to customers	2,803,735	27,261	32,952	**2,863,948**	2,872,617	23,064	62,316	**2,957,997**
Debt securities issued	248,931	–	–	**248,931**	379,350	–	–	**379,350**
Other borrowed funds	–	227,480	–	**227,480**	–	217,008	–	**217,008**
Provisions	1,627	–	–	**1,627**	3,363	–	–	**3,363**
Other financial liabilities	13,439	–	–	**13,439**	17,043	–	–	**17,043**
Subordinated debt	4,226	–	112,677	**116,903**	–	–	106,077	**106,077**
	3,167,560	**366,579**	**205,573**	**3,739,712**	**3,725,061**	**306,541**	**327,119**	**4,358,721**
Net assets/ (liabilities)	**1,033,594**	**(285,455)**	**(116,168)**	**631,971**	**1,077,386**	**(268,053)**	**(302,864)**	**506,469**

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources. It also manages assets, taking into account the maturities and amounts of assets and liabilities, by monitoring the future repayments associated with the Bank's assets and liabilities on a daily basis.

The Bank's liquidity management strategy provides for classifying liquid assets into those of first or second priority. Such classification of liquid assets results from understanding that the Bank might be forced to work in extreme conditions in the event of a shocking impact of one or more risk factors. The liquid assets of second priority are income-generating investments which, if necessary, can be quickly transformed into cash to provide additional liquidity. Effectively, they represent a liquidity cushion.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Bank also has committed lines of credit that it can access to meet liquidity needs. In addition, the Bank maintains a cash deposit (obligatory reserve) with the National Bank, the amount of which depends on the level of customer funds attracted.

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27. Risk management (continued)

Liquidity risk and funding management (continued)

The Bank's liquidity position is also assessed in terms of the liquidity ratios established by the National Bank of the Republic of Belarus. As of 31 December, these ratios were as follows:

	Ratio	*2014*	*2013*
"Instant Liquidity Ratio" (assets receivable or realizable within one day/liabilities repayable on demand and overdue	Min 20%	467%	177%
"Current Liquidity Ratio" (assets receivable or realisable within 30 days /liabilities repayable within 30 days)	Min 70%	127%	105%
"Short-Term Liquidity Ratio" (assets receivable or realisable within one year/liabilities repayable within one year)	Min 1	1.4	1.3

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as of 31 December based on contractual undiscounted repayment obligations, except for gross settled derivatives which are shown by contractual maturity. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial liabilities	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
As of 31 December 2014					
Amounts due to credit institutions	112,763	91,364	69,634	–	**273,761**
Gross settled derivative financial instruments					
- Contractual amounts payable	80,909	–	–	–	**80,909**
- Contractual amounts receivable	(77,861)	–	–	–	**(77,861)**
Amounts due to customers	2,315,393	359,396	528,324	625	**3,203,738**
Debt securities issued	164,666	25,002	93,538	–	**283,206**
Other borrowed funds	75,387	81,627	126,456	–	**283,470**
Other liabilities	13,439	–	–	–	**13,439**
Subordinated debt	1741	5,424	28,663	125,106	**160,934**
Total undiscounted financial liabilities	**2,686,437**	**562,813**	**846,615**	**125,731**	**4,221,596**

The Bank has received significant funds from Nordic Environment Finance Corporation (Note 19). As of 31 December 2014, the Bank was not in compliance with its financial covenant setting the maintenance of full compliance with prudential supervision ratios set by National Bank of the Republic of Belarus (since 1 February 2014 till 1 October 2014 Bank has not complied with the requirement for capital adequacy ratio) under the agreements with Nordic Environment Finance Corporation. The failure to meet this covenant is an event of default and may result, upon notice by the lenders, in a demand for the immediate repayment of these amounts. Thus, the amount of BYR 43,782 million was included in other borrowed funds as an amount payable on demand (in "less than 3 months" in the table above and in "within one year" in Note 29). At the date of signing these financial statements the Bank received the respective waivers according to which it may not meet the financial covenants and this will not entail the early withdrawal of funds by Nordic Environment Finance Corporation.

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27. Risk management (continued)

Liquidity risk and funding management (continued)

Financial liabilities	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
As of 31 December 2013					
Amounts due to credit institutions	493,049	228,230	3,046	–	**724,325**
Gross settled derivative financial instruments					
- Contractual amounts payable	246,657	–	–	–	**246,657**
- Contractual amounts receivable	(246,066)	–	–	–	**(246,066)**
Amounts due to customers	1,931,205	703,259	871,219	567	**3,506,250**
Debt securities issued	393,576	–	–	–	**393,576**
Other borrowed funds	34,240	74,348	132,049	–	**240,637**
Other liabilities	17,044	–	–	–	**17,044**
Subordinated debt	1,554	4,663	24,868	111,711	**142,796**
Total undiscounted financial liabilities	**2,871,259**	**1,010,500**	**1,031,182**	**112,278**	**5,025,219**

The table below shows the contractual expiry by maturity of the Bank's financial commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
2014	1,687,248	–	–	–	**1,687,248**
2013	1,217,985	–	–	–	**1,217,985**

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The Bank’s capability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Included in amounts due to customers are time deposits of individuals. In accordance with the Belarusian Banking Code, the Bank is obliged to repay such deposits within five days upon demand of a depositor (refer to Note 17).

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27. Risk management (continued)

Market risk

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

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Bank's the statement of profit or loss.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held as of 31 December. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	*Increase in basis points 2014*	*Sensitivity of net interest income 2014*	*Sensitivity of equity 2014*
BYR	500	46,438	38,080
EUR	100	(613)	(503)
USD	100	(2,228)	(2,925)

Currency	*Decrease in basis points 2014*	*Sensitivity of net interest income 2014*	*Sensitivity of equity 2014*
BYR	1000	(92,877)	(76,159)
EUR	100	613	503
USD	100	2,228	2,964

Currency	*Increase in basis points 2013*	*Sensitivity of net interest income 2013*	*Sensitivity of equity 2013*
BYR	500	36,168	29,658
EUR	100	(124)	(102)
USD	100	(2,155)	(3,043)

Currency	*Decrease in basis points 2013*	*Sensitivity of net interest income 2013*	*Sensitivity of equity 2013*
BYR	1000	(72,337)	(59,316)
EUR	100	124	102
USD	100	2,155	3,095

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27. Risk management (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency based on the regulations of the National Bank of the Republic of Belarus. Positions are monitored on a daily basis.

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

	BYR	*USD*	*EUR*	*RUR*	*Other currencies*	*Total*
Financial assets as of 31 December 2014						
Cash and cash equivalents	596,282	95,145	75,965	32,016	7,686	**807,094**
Amounts due from credit institutions	19,381	3,563	60,403	–	–	**83,347**
Loans to customers	2,139,348	858,206	266,967	42,408	–	**3,306,929**
Investment securities available-for-sale	72,677	70,081	2,750	–	–	**145,508**
Other financial assets	22,720	911	760	270	17	**24,678**
Total financial assets	**2,850,408**	**1,027,906**	**406,845**	**74,694**	**7,703**	**4,367,556**
Financial liabilities as of 31 December 2014						
Amounts due to credit institutions	(252)	(220,490)	(45,957)	–	–	**(266,699)**
Amounts due to customers	(2,022,037)	(515,336)	(262,983)	(59,054)	(4,538)	**(2,863,948)**
Debt securities issued	(144,492)	(60,857)	(43,582)	–	–	**(248,931)**
Other borrowed funds	(54,819)	(128,879)	(43,782)	–	–	**(227,480)**
Provision	(414)	(308)	(619)	(286)	–	**(1,627)**
Other financial liabilities	(8,542)	(1,401)	(759)	(2,737)	–	**(13,439)**
Subordinated debt	(4,226)	(112,677)	–	–	–	**(116,903)**
Total financial liabilities	**(2,234,782)**	**(1,039,948)**	**(397,682)**	**(62,077)**	**(4,538)**	**(3,739,027)**
Claims on derivative financial instruments	36	76,545	4,320	–	–	**80,901**
Obligations on derivative financial instruments	(55,091)	(17)	(7,201)	(15,143)	(7)	**(77,459)**
Total currency position as of 31 December 2014	**560,571**	**64,486**	**6,282**	**(2,526)**	**3,158**	**631,971**

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27. Risk management (continued)

Currency risk (continued)

	BYR	*USD*	*EUR*	*RUR*	*Other currencies*	*Total*
Financial assets as of 31 December 2013						
Cash and cash equivalents	646,215	206,225	114,778	70,149	5,725	**1,043,092**
Amounts due from credit institutions	27,030	28,267	15,403	–	–	**70,700**
Loans to customers	2,168,992	991,635	356,847	84,463	–	**3,601,937**
Investment securities available-for-sale	41,430	56,331	–	–	–	**97,761**
Other financial assets	21,496	850	293	28,890	13	**51,542**
Total financial assets	**2,905,163**	**1,283,308**	**487,321**	**183,502**	**5,738**	**4,865,032**
Financial liabilities as of 31 December 2013						
Amounts due to credit institutions	(96,473)	(423,869)	(140,220)	(16,881)	–	**(677,443)**
Amounts due to customers	(2,151,764)	(469,007)	(282,291)	(53,998)	(937)	**(2,957,997)**
Debt securities issued	(218,276)	(103,733)	(57,341)	–	–	**(379,350)**
Other borrowed funds	–	(217,008)	–	–	–	**(217,008)**
Provision	(827)	(338)	(384)	(1,814)	–	**(3,363)**
Other financial liabilities	(7,246)	(1,412)	(1,273)	(6,862)	(250)	**(17,043)**
Subordinated debt	–	(106,077)	–	–	–	**(106,077)**
Total financial liabilities	**(2,474,586)**	**(1,321,444)**	**(481,509)**	**(79,555)**	**(1,187)**	**(4,358,281)**
Claims on derivative financial instruments	796	189,810	53,243	2,216	20	**246,085**
Obligations on derivative financial instruments	(71,727)	(40,813)	(62,427)	(61,347)	(10,053)	**(246,367)**
Total currency position as of 31 December 2013	**359,646**	**110,861**	**(3,372)**	**44,816**	**(5,482)**	**506,469**

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27. Risk management (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Bank had significant exposure at 31 December on its financial assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Belarusian rouble, with all other variables held constant, on the statement of profit or loss (due to the fair value of currency sensitive financial monetary assets and liabilities). The effect on equity does not differ from the effect on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	*Reasonable high possible change in currency rate 2014*	*Effect on profit before tax 2014*	*Reasonable high possible change in currency rate 2013*	*Effect on profit before tax 2013*
USD	+50%	32,243	+10%	11,086
EUR	+50%	3,141	+10%	(337)
RUR	+50%	(1,263)	+10%	4,481

Currency	*Reasonable low possible change in currency rate 2014*	*Effect on profit before tax 2014*	*Reasonable low possible change in currency rate 2013*	*Effect on profit before tax 2013*
USD	-1%	(645)	-1%	(1,109)
EUR	-1%	(63)	-1%	34
RUR	-1%	25	-1%	(449)

Prepayment risk

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

The Bank assesses prepayment risk to be insignificant as of 31 December 2014 and 2013 and does not project significant fall in interest rates in the following 12 months.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

28. Fair value measurements

Fair value measurement procedures

The Bank's Management determines the policies and procedures for both recurring fair value measurement, such as unquoted trading and available-for-sale securities, unquoted derivatives, investment property and for non-recurring measurement, such as assets held for sale.

External valuers are involved for valuation of significant assets, such as properties, trading and available-for-sale securities and derivatives. Involvement of external valuers is decided upon annually by the Bank's Management after discussion with and approval by the Bank's audit committee. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Valuers are normally rotated every three years. The Bank's Management decides, after discussions with the Bank's external valuers, which valuation techniques and inputs to use for each case.

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28. Fair value measurements (continued)

At each reporting date, the Management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the Management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Management, in conjunction with the Bank's external valuers, also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the Management and the Bank's external valuers present the valuation results to the audit committee and the Bank's independent auditors. This includes a discussion of the major assumptions used in the valuations.

Fair value hierarchy

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

	Fair value measurement using			
31 December 2014	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets measured at fair value				
Derivative financial instruments	–	4,127	–	**4,127**
Investment securities available-for-sale	–	145,508	–	**145,508**
Investment property	–	72,249	–	**72,249**
	–	**221,884**	**–**	**221,884**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	–	807,094	**807,094**
Amounts due from credit institutions	–	–	83,347	**83,347**
Loans to customers	–	–	3,319,746	**3,319,746**
	–	–	**4,210,187**	**4,210,187**
Financial liabilities				
Derivative financial instruments	**–**	685	–	**685**
	–	**685**	–	**685**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	–	266,699	**266,699**
Amounts due to customers	–	–	2,843,246	**2,843,246**
Debt securities issued	–	–	249,997	**249,997**
Other borrowed funds	–	–	227,480	**227,480**
Subordinated debt	–	–	116,903	**116,903**
	–	**–**	**3,704,325**	**3,704,325**

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28. Fair value measurements (continued)

	Fair value measurement using			
31 December 2013	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets measured at fair value				
Derivative financial instruments	–	158	–	**158**
Investment securities available-for-sale	–	97,761	–	**97,761**
	–	**97,919**	**–**	**97,919**
Assets for which fair values are disclosed				
Cash and cash equivalents	–	–	1,043,092	**1,043,092**
Amounts due from credit institutions	–	–	,70,700	**70,700**
Loans to customers	–	–	3,507,747	**3,507,747**
	–	–	**4,621,539**	**4,621,539**
Financial liabilities				
Derivative financial instruments	**–**	440	–	**440**
	–	**440**	–	**440**
Liabilities for which fair values are disclosed	,			
Amounts due to credit institutions	–	–	677,443	**677,443**
Amounts due to customers	–	–	3,230,889	**3,230,889**
Debt securities issued	–	–	382,576	**382,576**
Other borrowed funds	–	–	217,008	**217,008**
Subordinated debt	–	–	106,077	**106,077**
	–	**–**	**4,613,993**	**4,613,993**

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28. Fair value measurements (continued)

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2014	*Fair value 2014*	*Unrecognized gain/ (loss) 2014*	*Carrying value 2013*	*Fair value 2013*	*Unrecognized gain/ (loss) 2013*
Financial assets						
Cash and cash equivalents	807,094	807,094	–	1,043,092	1,043,092	–
Amounts due from credit institutions	83,347	83,347	–	70,700	70,700	–
Loans to customers	3,306,929	3,319,746	12,817	3,601,937	3,507,747	(94,190)
Financial liabilities						
Amounts due to credit institutions	266,699	266,699	–	677,443	677,443	–
Amounts due to customers	2,863,948	2,843,246	20,702	2,957,997	3,230,889	(272,892)
Debt securities issued	248,931	249,997	(1,066)	379,350	382,576	(3,226)
Other borrowed funds	227,480	227,480	–	217,008	217,008	–
Subordinated debt	116,903	114,348	2,555	106,077	95,027	11,050
Total unrecognized change in unrealized fair value			**35,008**			**(359,258)**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not yet recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

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

Fixed and variable rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Investment property

The Bank uses discounted cash flow method ("DCF") for valuation of its investment property. Under the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest.

To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Fair value of investment property is based on the valuation performed by professional external valuers.

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29. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 27 "Risk management" for the Bank's contractual undiscounted repayment obligations.

	2014			*2013*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	807,094	–	**807,094**	1,043,092	–	**1,043,092**
Amounts due from credit institutions	7	83,340	**83,347**	35,412	35,288	**70,700**
Derivative financial assets	4,127	–	**4,127**	158,	–	**158**
Loans to customers	1,691,979	1,614,950	**3,306,929**	1,758,373	1,843,564	**3,601,937**
Investment securities available-for-sale	145,508	–	**145,508**	97,761	–	**97,761**
Investment Property	–	72,249	**72,249**	–	–	–
Property and equipment	–	120,047	**120,047**	–	114,846	**114,846**
Intangible assets	–	48,282	**48,282**	–	35,722	**35,722**
Other assets	22,616	43,481	**66,097**	49,994	28,565	**78,559**
Total	**2,671,331**	**1,982,349**	**4,653,680**	**2,984,790**	**2,057,985**	**5,042,775**
Amounts due to credit institutions	(199,562)	(67,137)	(266,699)	(674,407)	(3,036)	**(677,443)**
Derivative financial liabilities	(685)	–	(685)	(440)	–	**(440)**
Amounts due to customers	(1,448,455)	(1,415,493)	(2,863,948)	(1,424,442)	(1,533,555)	**(2,957,997)**
Debt securities issued	(182,510)	(66,421)	(248,931)	(379,350)	–	**(379,350)**
Other borrowed funds	(125,625)	(101,855)	(227,480)	(99,426)	(117,582)	**(217,008)**
Current income tax liabilities	(10,708)	–	(10,708)	(16,162)	–	**(16,162)**
Deferred income tax liabilities	–	(47,894)	(47,894)	–	(21,845)	**(21,845)**
Provisions	–	(1,627)	(1,627)	–	(3,363)	**(3,363)**
Other liabilities	(62,438)	(573)	(63,011)	(40,355)	(2,795)	**(43,150)**
Subordinated debt	(1,640)	(115,263)	(116,903)	(2,460)	(103,617)	**(106,077)**
Total	**(2,031,623)**	**(1,816,263)**	**(3,847,886)**	**(2,637,042)**	**(1,785,793)**	**(4,422,835)**
Net position	**639,708**	**166,086**	**805,794**	**347,748**	**272,192**	**619,940**

Amounts due to customers with a maturity more than one year include semi-constant amounts in the amount BYR 996,775 million (2013: BYR 839,760 million).

30. Related party disclosures

In accordance with IAS 24 Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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30. Related party disclosures (continued)

The Bank enters into banking transactions with related entities including but not limited to lending, deposit taking, cash settlement, foreign exchange, providing guarantees, as well as securities and derivative transactions.

The outstanding balances of related party transactions are as follows:

	2014				*2013*			
	Parent	*Entities under common control*	*Key manage-ment personnel*	*Other related parties*	*Parent*	*Entities under common control*	*Key manage-ment personnel*	*Other related parties*
Loans to customers at 1 January	–	**16,573**	**1,012**	**167**	**3**	**45,172**	**1,499**	**167**
Issued during the year	163	278,308	4,532	675	421	379,985	3,662	661
Repaid during the year	(163)	(253,936)	(4,687)	(641)	(424)	(403,810)	(3,879)	(639)
Translation differences and other movements	–	8,725	74	(47)	–	(136)	(74)	2
Monetary effect	–	(4,078)	(130)	(25)	–	(4,638)	(196)	(24)
Loans to customers at 31 December	–	**45,592**	**801**	**129**	–	**16,573**	**1,012**	**167**
Allowance for impairment	–	–	(1)	–	–	–	(3)	(1)
Loans to customers net of impairment allowance	–	**45,592**	**800**	**129**	–	**16,573**	**1,009**	**166**
Time deposits at 1 January	**1**	**20,364**	**12,458**	**323**	–	**22,235**	**2,575**	**178**
Attracted during the year	–	2,003,429	24,521	1,984	13	2,320,323	34,044	158
Repaid during the year	(1)	(1,963,354)	(31,527)	(1,939)	(16)	(2,327,321)	(31,537)	(9)
Translation differences and other movements	–	155	1,028	1,131	4	7,757	7,923	33
Monetary effect	–	(5,743)	(1,232)	(48)	–	(2,630)	(547)	(37)
Term deposits as of 31 December	–	**54,851**	**5,248**	**1,451**	**1**	**20,364**	**12,458**	**323**
Current accounts at 31 December	**7**	**11,772**	**11,144**	**237**	**6**	**11,715**	**6,516**	**839**
Other borrowed funds at 1 January	–	–	–	–	6,982	–	–	–
Attracted during the year	–	–	–	–	–	–	–	–
Repaid during the year	–	–	–	–	(6,457)	–	–	–
Translation differences and other movements	–	–	–	–	(13)	–	–	–
Monetary effect	–	–	–	–	(512)	–	–	–
Other borrowed funds at 31 December	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Subordinated debt at 1 January	**106,078**	**–**	**–**	**–**	**108,750**	**–**	**–**	**–**
Attracted during the year	–	–	–	–	–	–	–	–
Repaid during the year	–	–	–	–	–	–	–	–
Translation differences and other movements	21,403	–	–	–	12,703	–	–	–
Monetary effect	(14,804)	–	–	–	(15,375)	–	–	–
Subordinated debt at 31 December	**112,677**	**–**	**–**	**–**	**106,078**	**–**	**–**	**–**
Undrawn loan commitments	125	25,522	1,515	270	151	17,883	1,526	62
Guarantees	–	4,592	–	–	–	4,785	–	–
Other liabilities (unused vacation accruals)	–	–	2,650	261	–	–	1,541	–

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

30. Related party disclosures (continued)

The income and expenses arising from related party transactions are as follows:

	2014				2013			
	Parent	*Entities under common control*	*Key management personnel*	*Other related parties*	*Parent*	*Entities under common control*	*Key management personnel*	*Other related parties*
Interest income on loans to customers	–	4,015	215	58	6	3,698	375	38
Interest expense on subordinated debt	(5,824)	–	–	–	(6,355)	–	–	–
Interest expense on amounts due to customers	–	(5,329)	(5,230)	(253)	(5)	(7,633)	(3,478)	(80)
Interest expense on other borrowed funds	–	–	–	–	(45)	–	–	–
Allowance for loan impairment	–	–	(2)	(1)	–	1,098	386	13
Fee and commission income	2	2,899	56	33	2	2,520	48	19
Personnel expenses	–	–	(26,218)	(390)	–	–	(25,955)	(395)

Compensation of key management personnel was comprised of the following:

	2014	*2013*
Salaries and other short-term benefits	22,361	23,216
Social security costs	3,857	2,739
Total key management compensation	**26,218**	**25,955**

31. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in its business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the National Bank in supervising the Bank.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

National Bank capital adequacy ratio

The National Bank of the Republic of Belarus requires banks to maintain a capital adequacy ratio of 10 % of risk-weighted assets, computed based on BAS. As of 31 December 2014 and 2013, the Bank's capital adequacy ratio on this basis was as follows:

	2014	*2013*
Main capital	369,050	319,058
Additional capital	338,806	251,250
Total capital	**707,856**	**570,308**
Risk-weighted assets	**4,163,859**	**5,046,973**
Capital adequacy ratio	17,0%	11,3%

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2014 unless otherwise stated)

31. Capital adequacy (continued)

Capital adequacy ratio under Basel Capital Accord 1988

The Bank's capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as of 31 December 2014 and 2013, comprised:

	2014	***2013***
Tier 1 capital	759,698	586,413
Tier 2 capital	114,717	103,881
Total equity	**874,415**	**690,294**
Risk-weighted assets	**4,740,686**	**4,694,940**
Tier 1 capital ratio	16,03%	12,49%
Total capital ratio	18,44%	14,70%