Translation from the original in Russian

Financial statements
for the year ended 31 December 2014

Joint Stock Company "Technobank"

JSC "Technobank"
44, Kropotkina str.,
Minsk 220002, Republic of Belarus
Telephone: +375 17 283 15 10
Banking license № 11,
dated 31 December 2013 is issued by the National Bank of the Republic of Belarus

Translation from the original in Russian

JSC "Technobank"
Financial statements for the year ended 31 December 2014

Contents:

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Ref. No.: 01-05/5/295

Auditor's Report on the Financial Statements
of JSC "Technobank" for 2014

To the Shareholders, the Supervisory Board, the Board of Directors
To the National Bank of the Republic of Belarus

The Auditor
Name: BDO, LLC
Location: 220002 Belarus, Minsk, Pobediteley ave., 103, office 807
Information about state registration: Certificate of state registration issued by the Minsk City Executive Committee dated 15.11.2013
Payer's Identification Number: 190241132

The Auditee
Name: JSC "Technobank"
Location: Minsk 220002, Republic of Belarus , 44, Kropotkina str.
Information about state registration: State registration certificate issued on the basis of Decision of the National Bank of the Republic of Belarus № 47 dated 05.08.1994
Payer's Identification Number: 100706562

Translation from the original in Russian

Independent Auditor's Report

We have audited the accompanying financial statements of JSC "Technobank" (hereafter - the "Bank"), which comprise the statement of financial position as at 31.12.2014 and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 12 to 65.

Responsibility of the Management of Audited Entity for the preparation of Financial Statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

We conducted our audit in accordance with International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

The audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial statements. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Bank's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control. The 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 opinion on these financial statements.

Translation from the original in Russian

Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC "Technobank" as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Dmitri Bekeshko
Deputy Director on Audit
BDO LLC
Minsk, Republic of Belarus
June 01, 2015

Statement of Management Responsibility

The Management of JSC "Technobank" is responsible for preparing the financial statements of the Bank. The financial statements on pages 7 to 65 represent fairly the financial position of the Bank as of 31 December 2014, the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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

The Management of the Bank is responsible for keeping proper accounting records, for taking necessary steps to safeguard the assets of the Bank and to detect and prevent fraud and other irregularities. It is also responsible for operating the Bank in compliance with the Laws of the Republic of Belarus, including the rules established by the National Bank of the Republic of Belarus (NB RB).

The financial statements for the year ended 31 December 2014 were authorised for issue on 1 June 2015 and signed on behalf of the management of the Bank.

On behalf of the management of the Bank:

Chairman of the Management Board
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

Minsk,
June 01, 2015

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

Statement of Financial Position

	Notes	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	6	413,043	518,326
Precious metals		3,668	3,004
Balances due from financial institutions	7	27,340	22,184
Loans to customers	8	1,047,488	765,795
Financial assets available for sale	9	164,127	1,333
Financial assets at fair value through profit or loss	10	4,512	-
Investment property	11	55,839	58,566
Property and equipment and intangible assets	12	241,752	236,343
Deferred income tax asset	29	-	4,150
Other assets	13	36,854	15,378
TOTAL ASSETS		**1,994,623**	**1,625,079**
LIABILITIES AND EQUITY			
Liabilities			
Balances due to financial institutions	14	45,940	54,378
Customer accounts	15	1,298,063	956,504
Debt securities issued	16	66,711	40,085
Preference shares	17	193	193
Current income tax liabilities		3,810	4,020
Deferred income tax liabilities	29	12,765	-
Other liabilities	18	23,063	30,448
Total liabilities		**1,450,545**	**1,085,628**
Equity			
Share capital	19	525,242	525,242
Treasury shares	19	-	(8)
Revaluation reserve of property and equipment	12	62,431	57,311
Revaluation reserve of financial assets available for sale	9	(2,818)	-
Accumulated losses		(40,777)	(43,094)
Total equity		**544,078**	**539,451**
TOTAL LIABILITIES AND EQUITY		**1,994,623**	**1,625,079**

The accompanying notes on pages 12 to 65 form an integral part of these financial statements.

Chairman of the Management Board
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

Minsk,
June 01, 2015

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

Statement of Comprehensive Income

	Notes	2014	2013
Interest income	20	192,618	171,397
Interest expense	21	(95,037)	(54,392)
Net interest income		**97,581**	**117,005**
Commission and fee income	22	118,808	90,194
Commission and fee expense	23	(18,701)	(18,193)
Net commission and fee income		**100,107**	**72,001**
Net income/(loss) on financial instruments	24	12,121	(612)
Net foreign exchange gain	25	63,051	70,912
Other income/ (expense)	27	20,204	15,632
Operating income		**293,064**	**274,938**
Net impairment loss on financial assets	7,8	(48,189)	(39,816)
Net change in provisions for loan commitments	32	9,611	(15,188)
Personnel expenses	26	(102,621)	(86,831)
Depreciation and amortisation	11,12	(9,648)	(8,785)
Administrative expenses	28	(68,411)	(56,921)
Profit before income tax and loss on net monetary position		**73,806**	**67,397**
Income tax (expense)/ income	29	(35,291)	11,553
Profit before loss on net monetary position		**38,515**	**78,950**
Loss on net monetary position due to inflation effect		(36,198)	(37,355)
Other comprehensive income		**2,317**	**41,595**
Items that will never be reclassified to profit or loss:			
Revaluation of property and equipment		6,827	(88,965)
Deferred income taxes effect relating to revaluation of property and equipment		(1,707)	16,014
Items that will never be reclassified to profit or loss net of taxes		**5,120**	**(72,951)**
Items that are or may be reclassified to profit or loss:			
Revaluation of securities available for sale		(3,757)	-
Deferred income taxes effect relating to revaluation of securities available for sale		939	-
Items that are or may be reclassified to profit or loss net of taxes		**(2,818)**	-
Total other comprehensive income, net of income taxes		2,302	(72,951)
Comprehensive income/(loss)		**4,619**	**(31,356)**

The accompanying notes on pages 12 to 65 form an integral part of these financial statements.

Chairman of the Management Board
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

Minsk,
June 01,2015

JSC "Technobank"
Financial statements 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)

Statement of Changes in Equity

	Share capital	Treasury shares	Revaluation reserve of property and equipment	Revaluation reserve of assets available for sale	Accumulated loss	Total equity
Balance as at 31 December 2012	**520,287**	**(225)**	**130,263**	**-**	**(84,688)**	**555,636**
Profit for the year	-	-	-	-	41,594	**41,594**
Other comprehensive income	-	-	(72,951)	-	-	**(72,951)**
Revaluation of property and equipment	-	-	(88,965)	-	-	**(88,965)**
Effect of property and equipment revaluation on income tax	-	-	16,014	-	-	**16,014**
Total comprehensive income for the year	**-**	**-**	**(72,951)**	**-**	**41,594**	**(31,357)**
Transactions with shareholders recorded directly in equity	**14,955**	**217**	**-**	**-**	**-**	**(15,172)**
Additional issue of shares	15,018	-	-	-	-	**15,018**
Hyperinflation impact of previous years	(63)	-	-	-	-	**(63)**
Sale of shares	-	225	-	-	-	**225**
Redemption of shares	-	(8)	-	-	-	**(8)**
Balance as at 31 December 2013	**525,242**	**(8)**	**57,311**	**-**	**(43,094)**	**539,451**
Profit for the year	-	-	-	-	2,317	**2,317**
Other comprehensive income/loss	-	-	5,120	(2,818)	-	**2,302**
Total comprehensive income/loss for the year	**-**	**-**	**5,120**	**(2,818)**	**2,317**	**4,619**
Sale of shares	-	8	-	-	-	**8**
Balance as at 31 December 2014	**525,242**	**-**	**62,431**	**(2,818)**	**(40,777)**	**544,078**

The accompanying notes on pages 12 to 65 form an integral part of these financial statements.

Chairman of the Management Board
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

Minsk,
June 01, 2015

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

Statement of Cash Flows

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash flows from operating activities			
Profit before income tax and loss on net monetary position		73,806	67,397
Loss/(profit) on disposal of investment property, property, equipment and intangible assets		1,807	(1,811)
Net change in income and expenses accrued		(57,279)	(135,111)
Provision for impairment of assets	7,8	48,189	39,741
Depreciation and amortisation	11,12	9,648	8,785
Changes in accruals for unused vacation		636	2,286
Exchange differences	25	(37,538)	(5,547)
Provisions for loan commitments	32	(9,611)	15,188
Property received as debt repayment		(11,310)	(22,873)
Financial result from recognition of financial instruments at fair value		(4,377)	879
Increase in cash and cash equivalents from operating activities before changes in operating assets and liabilities		**13,971**	**(31,066)**
(Increase)/decrease in operating assets:			
Precious metals		(1,329)	(306)
Balances due from financial institutions		(7,934)	(7,940)
Loans to customers		(292,806)	48,067
Financial assets available for sale		(158,754)	-
Other assets		(10,973)	10,462
Increase/(decrease) in operating liabilities:			
Balances due to financial institutions		(3,951)	(50,194)
Customer accounts		396,075	22,914
Other liabilities		6,880	(5,085)
Net cash and cash equivalents (used in) / from operating activities before income tax		**(58,821)**	**(13,148)**
Income tax paid		(15,293)	(5,731)
Net cash and cash equivalents (used in) / from operating activities		**(74,114)**	**(18,879)**
Investing activities			
Proceeds from sale of property and equipment		1,397	1,341
Purchase of property and equipment and intangible assets		(12,129)	(8,825)
Net cash and cash equivalents used in investing activities		**(10,732)**	**(7,484)**

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

	Notes	2014	2013
Financing activities			
Increase in share capital		-	14,955
Debt securities issued		25,104	45,530
Redemption of debt securities		(4,346)	(4,639)
Sale of treasury stock		8	217
Net cash and cash equivalents (used in) / from financing activities		**20,766**	**53,063**
Net increase in cash and cash equivalents		**(64,080)**	**26,775**
Effect of exchange differences on cash and cash equivalents		**29,641**	**24,357**
Effect of inflation on cash and cash equivalents		**(70,844)**	**(68,171)**
Cash and cash equivalents at the beginning of the year		**518,326**	**535,365**
Cash and cash equivalents at the end of the year	6	**413,043**	**518,326**

The accompanying notes on pages 12 to 65 form an integral part of these financial statements.

Chairman of the Management Board
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

Minsk,
June 01, 2015

Notes to the Financial Statements

1. GENERAL INFORMATION

Joint Stock Company "Technobank" was established according to the legislation of the Republic of Belarus and was registered on the territory of the Republic of Belarus by the National Bank of the Republic of Belarus on 5 August 1994. The registered address of the Bank is 44 Kropotkina Street, Minsk 220002, Republic of Belarus..

In the audited period the Bank performed its activities based on the following licenses:

License for banking operations № 11 issued by the National Bank of the Republic of Belarus on 31 December 2013. Resolution of the Board of the National Bank of the Republic of Belarus on 31 December 2013 a special permit (license) to conduct banking activities of "Technobank" add the following banking operations: collection cash, payment instructions, precious metals and precious stones and other valuables.

Special permit (license) № 02200/0385568 to carry out professional and exchange activities with securities was issued (maintained) by the Ministry of Finance of the Republic of Belarus by the decision № 155 dated 29 May 2009 for 5 years and it is valid before 22 June 2014. It is registered in the register of licenses of the Ministry of Finance of the Republic of Belarus № 5200-1246-839. Validity of the special permit (license) to carry out professional and exchange activities with securities was maintained by the decision of the Ministry of Finance of the Republic of Belarus № 129 dated 07 April 2014 for ten years. Special permit (license) to carry out professional and exchange activities with securities № 02200 / 5200-1246-1155 dated 04 June 2014 was issued by the Ministry of Finance of the Republic of Belarus and is valid before 22 June 2024.

Special permit (license) № 02010/0650257 to carry out activities to ensure the safety of entities and individuals was issued by the Ministry of Internal Affairs of the Republic of Belarus on the basis of the decision № 24 km dated 24 December 2010, for a period of 5 years and it is valid before 24 December 2015. It was registered in the register of licenses of the Ministry of Internal Affairs of the Republic of Belarus under № 13740.

Special permit (license) № 01019/94 to carry out activities of technical protection of information, including cryptographic techniques, among other the use of digital signature was issued by Operational and Analytical Centre under the President of the Republic of Belarus on the basis of the order of 8 November 2011 for a period of 5 years and it is valid before 30 November 2016. It is registered in the register of licenses of Operational and Analytical Centre under the President of the Republic of Belarus under № 94.

According to the License on carrying out banking activities, the Bank issues loans to individuals and legal entities, provides settlement services for individuals and legal entities, receives monetary resources on deposits from legal entities, executes currency exchange operations and provides other banking services.

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

2. ECONOMIC ENVIRONMENT

The Bank operates primarily within the Republic of Belarus.

Inflation

According to IAS 29 since 1 January 2011 the economy of the Republic of Belarus is hyperinflationary. The inflation indices from 2001 to 2014 are given in the note 3(b).

Currency transactions and currency control

Foreign currencies, in particular the US Dollar, Euro, Russian rouble, play a significant role in the underlying economics of many business transactions in the Republic of Belarus. The table below shows exchange rates of Belarusian rouble against to US Dollar, Euro and Russian rouble:

Reporting date	US Dollar	Euro	Russian rouble
31 December 2014	11,850.00	14,380.00	214.50
31 December 2013	9,510.00	13,080.00	290.50
31 December 2011	8,570.00	11,340.00	282.00
31 December 2011	8,350.00	10,800.00	261.00
31 December 2010	3,000.00	3,972.60	98.44
31 December 2009	2,863.00	4,106.11	94.66

There are strict currency control regulations designed to promote the commercial utilisation of the Belarusian rouble in the Republic of Belarus. Such regulations place restrictions for enterprises on the conversion of Belarusian roubles into hard currencies and establish mandatory requirements for conversion part of hard currency sales to Belarusian roubles.

Financial market transactions

Economic conditions in the Republic of Belarus continue to limit the volume of activity in the financial markets. Market quotations may not be reflective of the values for financial instruments, which would be determined in an efficient, active market between knowledgeable and willing parties. Management has therefore used the best available information to adjust market quotations to reflect their best estimate of fair values, where considered necessary.

These financial statements reflect the current evaluation by the Bank's management of the impact made by the economic situation in the Republic of Belarus on the activities and financial position of the Bank. Future economic development in the Republic of Belarus largely depends on efficiency of measures taken by the government, and other factors including legislative and political events outside the Bank's control. The management is unable to forecast how these factors can impact the financial position of the Bank. The accompanying financial statements do not include any adjustments for the above risk.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (hereinafter - "IFRS").

In accordance with the legislation and government regulations of the Republic of Belarus on accounting and banking (hereinafter - “BAS”), the Bank is to maintain accounting records and prepare financial statements in Belarusian rubles. The financial statements are based on the accounting data of the Bank, formed by BAS, in compliance with the adjustments and reclassifications, necessary for transformation of these statements in accordance with IFRS.

The accompanying financial statements have been prepared in accordance with the historical cost principle, except for fair value accounting of certain financial instruments, as well as property, plant and equipment carried at revalued cost, accounted for in accordance with IFRS (IAS) 29 “Financial Reporting in Hyperinflationary Economies”.

The financial statements are presented in millions of Belarusian roubles (hereinafter - “million BYR”) unless otherwise stated.

(b) Basis of measurement

The effects of inflation

Since January 01, 2011 in accordance with IAS 29 "Financial reporting in hyperinflationary economies" the economy of the Republic of Belarus was considered to be hyperinflationary. Accordingly, adjustments and reclassifications of the items in order to present financial statements in accordance with IFRS include restatement to reflect changes in the general purchasing power of the Belarusian ruble as required by IAS 29.

The standard requires that the financial statements in the currency of a hyperinflationary economy shall be prepared in the measuring unit current as of the end of the reporting period.

The Bank has used rates based on the Consumer Price index published by the Ministry of Statistics and Analysis of the Republic of Belarus. The values of this index for the last 9 years from January 01, 2006, were the following:

Year	Index, %	Conversion rate
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

Monetary assets and liabilities are not restated because they are already expressed in the measuring units, current as of 31 December 2014. Non-monetary assets and liabilities (items which are not yet expressed in the currency as of December 31, 2014) are restated by applying the relevant index. The effect of inflation on the net monetary position of the Bank is reflected in the income statement in the line “Loss on monetary position due to inflation”.

IAS 29 application leads to the adjustment with account of the loss of purchasing power of the Belarusian ruble, as reported in the income and loss statements. In an inflationary environment, organization, whose monetary assets exceed monetary liabilities, loses purchasing power, resulting in a loss on net monetary position. Expenses are differences arising from the revaluation of non-monetary assets and liabilities, equity and items in the statement of comprehensive income. The corresponding data for the year 31.12.2013 have also been restated; so as to be represented in terms of purchasing power of the Belarusian ruble as of 31.12.2014.

(c) Functional and presentation currency

The financial statements are presented in millions (unless otherwise stated) of Belarusian roubles, being the functional currency of the Bank.

(d) Use of judgements and estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect reported amounts of assets and liabilities of the Bank, disclosure of contingent assets and liabilities at the reporting date and reported income and expenses for the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are considered to be reasonable in case of absence of more reliable sources of information. The actual results may be different from such estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the periods, in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in note 4.

(e) 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 nonsimultaneous 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.

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.

4. USE OF ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Allowances for credit losses

Assets accounted for at amortised cost are evaluated for impairment on a basis described in the accounting policy (Note 5(e)).

The impairment of financial assets concerning those evaluated individually is based upon the best estimates of the Bank's management in relation to the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgments about a counterparty's financial position and the net realisable value of any underlying collateral. The calculation of the discounted cash flows of secured financial assets reflect cash flows which may occur as a result of the repossession of a debtor's assets excluding costs for acquisition and sale. The impairment for assets, which are assessed collectively for impairment, is based on the available information, which evidences the decrease of the expected future cash flows on the financial assets group. The Bank's assumptions about estimated losses are based on past performance, past customer behaviour and general economic conditions, which are not necessarily an indication of future losses.

In assessing credit risk and impairment, the Bank applies the same estimates and judgements to loan commitments as to financial assets.

Determining fair value

The determination of fair value of financial assets and liabilities for which there is no observable market price requires the use of valuation techniques as described in accounting policy 5(e). For financial instruments that are traded infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

(b) Critical accounting judgements

Critical accounting judgements made in applying the Bank's accounting policies include:

Valuation of financial instruments

The Bank's accounting policy on fair value measurement is described in the Note 5(e).

The Bank measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.

Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Determination of deferred tax asset

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The estimate of probability is based on the Bank's management forecasts in relation to the future taxable profit and includes a significant degree of judgement of the Bank's management.

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency

Foreign currency transactions are translated to Belarusian roubles in accordance with the official exchange rate set by the National Bank of the Republic of Belarus on the date of the respective transaction. All monetary assets and liabilities, including off-balance-sheet assets and liabilities denominated in foreign currencies are translated into Belarusian roubles in accordance with the exchange rate set by the National Bank of the Republic of Belarus on the last date of the reporting period.

Profit or loss relating to fluctuations in the exchange rate on monetary assets and liabilities denominated in a foreign currency are recognised in profit or loss in the period in which the fluctuation occurs. Foreign currency differences arising on retranslation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value or historical cost are translated into Belarusian roubles at the exchange rate of the National Bank of the Republic of Belarus at the date of transaction or fair value determination.

(b) Income and expenses recognition

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate of interest that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The calculation of the effective interest rate includes all fees and points paid or received transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income and expense relate mainly to transaction and service fees, which are recognised as the services are provided (received).

Premiums and discounts on floating rate instruments are amortised to the next date when the floating interest rate is reset to market rates excluding premiums and discounts which result from a change in the credit spread over the floating rate specified in the instrument or other variables that are not reset to market rates. These premiums and discounts are amortised over the expected life of the instrument.

(c) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease income from operating leases is recognised in other income on a straight-line basis over the lease term. The Bank as a lessee recognises lease payments under an operating lease as other expenses on a straight-line basis over the lease term.

Minimum lease payments made under finance lease agreements are apportioned between the finance expense and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(d) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes in accordance with the IFRS financial statements. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) Financial assets and financial liabilities

Recognition

The Bank initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date at which they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the Bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Classification

All financial instruments are classified into the following categories.

Financial assets and liabilities at fair value through profit or loss are those that have been classified by the Bank as revalued at fair value through profit or loss or as held for trading. Held for trading financial instruments are those that the Bank principally buys for the purpose of generating a profit from short-term fluctuations in the price of the instruments. Derivatives include mainly forwards and swaps on foreign currency. The Bank enters into derivative financial instruments to manage currency and liquidity risks and for trading purposes. Derivative financial instruments entered into by the Bank do not qualify for hedge accounting.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that are classified into other categories of financial instruments. Loans and receivables include loans to financial organizations, loans and receivables from customers and other financial assets which comply with these classification criteria.

Available for sale financial assets are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Available for sale financial assets represent equity and debt securities. Unquoted equity and debt securities whose fair value cannot reliably be measured are carried at cost. All other available for sale investments are carried at fair value.

Financial liabilities carried at amortised cost represent financial liabilities of the Bank other than financial liabilities designated at fair value through profit or loss. This category includes deposits due to banks, deposits due to customers, debt securities issued, subordinated loan and other financial liabilities corresponding to such a classification.

Derecognition

A financial asset is derecognised when the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. The Bank derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Amortised cost measurement

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Fair value measurement

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.

When available, the Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, various valuation techniques are used. Valuation techniques include discounted cash flow model, comparison to similar instruments for which market observable prices exist, and others. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

Impairment

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

The Bank considers evidence of impairment for loans and advances at both a specific asset and collective level.

All individually significant loans and advances are assessed for specific impairment. At each reporting date, Bank assesses on a case-by-case basis whether there is any objective evidence that a loan is impaired. In determining impairment losses, the following factors are considered: (i) the state of the financial asset which is past due, (ii) financial position of the borrower, (iii) insufficient debt service and (iv) the possibility to sell the collateral.

Loans and advances that are not individually significant are collectively assessed for impairment by grouping together loans and advances with similar risk characteristics. In assessing collective impairment the Bank uses statistical information on historical trends of the probability of default, timing of recoveries and the amount of loss incurred. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

Impairment losses on available for sale financial assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash, deposits with the National Bank of the Republic of Belarus less resources in statutory reserve fund, deposits with other financial institutions not restricted for use, and loans to financial institutions with an original maturity of less than 3 months.

(g) Property and equipment

Property and equipment, except for buildings, as well as intangible assets are recorded at historical cost adjusted for inflation less accumulated depreciation/amortisation and impairment loss.

Buildings are accounted using the revaluation method. Buildings are carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of buildings is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers (Note 12). Any gain arising on remeasurement to fair value is recognised directly in other comprehensive income

The carrying amounts of property and equipment are reviewed at each reporting date for evidence of impairment. If such evidences exist, the Bank evaluates the recoverable amount of property and equipment, which is determined as the higher of its fair value less costs to sell and its value in use. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount and difference is recognised in statement of comprehensive income as impairment loss.

After the recognition of an impairment loss the depreciation charge for property and equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its disposal value (if any), on a systematic basis over its remaining useful life.

Gains and losses on disposals of property and equipment are recognised in the statement of comprehensive income in the period when the disposal occurred.

Repair and maintenance costs are charged to the statement of comprehensive income as incurred. Capital repairs of property and equipment are added to historical cost of property and equipment. Useful lives, residual values and depreciation methods are reviewed annually

Depreciation and amortisation are calculated on a straight-line basis. The annual rates of depreciation/amortisation are:

	Annual Rate
Buildings and constructions	1% - 11%
Computer facilities	20% - 75%
Transport vehicles	12.5% - 14.3%
Other equipment	2%-75%

(h) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. An intangible asset is recognised if:

- it is probable that the Bank will receive future economic benefits attributable to the asset;
- the cost of the asset can be measured reliably.

Intangible assets are represented by software.

Intangible assets are recognised at initial cost, less accumulated amortisation and impairment loss, if any.

Profit and loss from disposal of intangible assets are recognised in the statement of comprehensive income as incurred.

Amortisation of intangible assets is charged on a straight-line basis. The useful life is 1 - 10 years.

(i) Investment property

Investment property, which comprises buildings and premises, is held for long-term rental yields or appreciation in value and is not occupied by the Bank. Investment property is initially measured at cost together with transaction costs. Subsequent to initial recognition the Bank carries the investment property at historical cost less accumulated depreciation and impairment, if any.

Investment property is depreciated on a straight-line basis. The useful life is 10 – 100 years.

(j) Precious metals

Gold and other precious metals are recorded at London Bullion Market rates and fair values. Changes in valuations are recorded in other income.

(k) Repossessed assets; non-current assets held for sale

As part of the normal course of business the Bank occasionally takes possession of non-financial assets that originally were pledged as security for loans. When the Bank acquires (i.e. gains a full title to) a non-financial asset in this way, the asset's classification follows the nature of its intended use by the Bank. Initially the non-financial assets are recognised at the carrying value of respective loans and are classified as other assets. Repossessed assets are subsequently valued according to the accounting policy based on the classification of such assets in the statement of financial position.

Property is classified as «Non-current assets held for sale» if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. To be classified in this category the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset; an active programme to locate a buyer and complete the plan must have been initiated; the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value; the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current asset classified as held for sale is measured at the lower of its carrying amount and fair value less costs to sell.

(l) Impairment of non-financial assets

The carrying amounts of the Bank's non-financial assets, other than investment property which is accounted for at fair value and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Provisions

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

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(n) Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided.

According to the requirements of the Republic of Belarus the Bank makes statutory payments to the Fund for social protection of the population of the Republic of Belarus from its employee salaries.

The Bank carries no further pension obligations in respect of its retired and former employees.

(o) Share capital

Ordinary shares

Ordinary shares are classified as equity items. Costs related to the issuance of shares are recognized directly in equity.

Preference shares

Preference shares are classified as equity if they are non-redeemable, or redeemable only at the Bank's discretion, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon approval by the Bank's shareholders.

Preference shares are classified as a liability if it is redeemable on a specific date or at the option of the holders, or if dividend payments are not at Bank's discretion. Dividends thereon are recognised as interest expense in the statement of comprehensive income as accrued.

(p) Loan commitments

The Bank assumes obligations of a credit nature, including financial guarantees, letters of credit and commitments to issue loans. Guarantees are the Bank's irrevocable obligations to perform payments when the customer does not fulfil his obligations to the third parties and have the same level of the credit risk as loans. Letters of credit are the Bank's written obligations to make payments on behalf of customers in agreed amount when certain conditions are met; they are collaterised with the corresponding deliveries of goods or deposits and, accordingly, have lower risk level, than direct loan granting. In respect of the commitments to issue loans the Bank potentially has the risk to sustain losses in the amount equal to the total amount of the unused commitments, although the probable loss is less than the total amount of the unused obligations, as loans commitments also require customers' compliance with certain credit standards. The Bank monitors maturity terms, as usually long-term obligations bear higher credit risk level than the short-term ones.

Loan commitments are initially recognised at fair value, which is usually an initial commission income received. At each reporting date loan commitments are measured at the higher of the amount recognised as a provision and the amount initially recognised less, where appropriate, cumulative amortisation of initial commission income received.

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.

The Bank's management assesses the impact of the standards on the financial statements.

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.

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 remeasurement 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 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

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 they clarifiy 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 amortization 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).

IFRS (IFRS) 13 "Fair Value Measurement"

The amendment is applied prospectively and clarifies that the exemption for companies holding a group of financial assets and financial liabilities (portfolio) and controlling of the group as a whole, can be applied to a portfolio consisting not only of the financial assets and financial liabilities, but also from other contracts falling within the scope of IFRS (IFRS) 9 (or, if applicable, IFRS (IAS) 39).

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.

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 derecognized 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)

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts:

	31 December 2014	31 December 2013
Balances with the National Bank of the Republic of Belarus (excluding resources in Statutory reserve fund)	184,231	92,547
Cash	149,501	214,515
Demand balances with financial institutions	79,311	211,264
Total	**413,043**	**518,326**

As at 31 December 2014 the Bank had no balances exceeding 10% of the Bank's equity.

As at 31 December 2013 cash and cash equivalents comprised balances with Delta Bank (Republic of Belarus), whose balances exceeded 10% of the Bank's equity. The gross value of these balances as at 31 December 2013 was 75,543 million BYR.

7. BALANCES DUE FROM FINANCIAL INSTITUTIONS

Balances due from financial institutions include the following:

	31 December 2014	31 December 2013
Resources in the statutory reserve fund in the National Bank of the Republic of Belarus	14,258	12,315
Nostro accounts restricted	13,082	9,869
Nostro accounts	7	29
Total balances due from financial institutions	**27,347**	**22,213**
Less allowance for impairment loss	(7)	(29)
Total net balances due from financial institutions	**27,340**	**22,184**

In accordance with the law of the Republic of Belarus the Bank has to place a deposit in the statutory reserve fund in the National Bank of the Republic of Belarus.

a) Restricted balances with financial institutions (except resources in Statutory reserve fund)

As at 31 December 2014 and 2013 the Bank had balance that was restricted for use in the amount of 13,082 and 9,869 million BYR correspondingly. It was represented by the amounts pledged as a collateral for liabilities to make transactions with plastic cards and other payments.

b) Concentration of placement with financial institutions

As at 31 December 2014 and 2013 the Bank had no balances, exceeding 10% of the Bank's equity

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

8. LOANS TO CUSTOMERS

(a) by customer profile:

	31 December 2014	31 December 2013
Legal entities and individual interpreneurs	1,092,271	790,851
Private individuals	37,450	33,458
Total loans to customers	**1,129,721**	**824,309**
Less allowance for impairment loss	(82,233)	(58,514)
Total net loans to customers	**1,047,488**	**765,795**

(b) by type of loan:

	31 December 2014	31 December 2013
Credit lines	766,823	574,055
Standard loans	262,770	214,884
Factoring	95,199	33,148
Overdraft	4,153	726
Net investments in finance lease	776	1,496
Total loans to customers	**1,129,721**	**824,309**
Less allowance for impairment loss	(82,233)	(58,514)
Total net loans to customers	**1,047,488**	**765,795**

(c) industry analysis of loan portfolio:

	31 December 2014	31 December 2013
Trade	522,620	356,605
Real estate	245,470	71,255
Manufacturing industry	200,626	130,002
Construction	37,266	152,809
Transport	26,249	35,137
Agriculture and food industry	2,939	8,362
Other	57,101	36,681
Individuals	37,450	33,458
Total loans to customers	**1,129,721**	**824,309**

(d) collateral:

To mitigate credit risk the Bank demands security for a loan the amount and type of which depends on the credit risk of the counterparty.

Main types of the received security for loans to legal entities and entrepreneurs are property, equipment, vehicles and goods for sale. Forfeit penalty and guarantee from individuals are security for loans to individuals.

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

(e) by overdue periods:

	31 December 2014		31 December 2013	
	Loans to customers	Allowance for impairment	Loans to customers	Allowance for impairment
Impaired loans				
Not past due	1,100,176	(79,834)	819,929	(56,632)
Past due less than 30 days	4,589	(212)	1,123	(134)
Past due 31 - 90 days	2,466	(116)	1,419	(167)
Past due 91 - 180 days	21,311	(1,196)	274	(98)
Past due 181 - 366 days	1,179	(875)	138	(57)
Past due more than 1 year	-	-	1,426	(1,426)
Total	**1,129,721**	**(82,233)**	**824,309**	**(58,514)**

(f) credit quality of loan portfolio:

Loans impaired, 2014	**Loans**	**Allowance for impairment**	**Loans less allowance**
Individually impaired loans	231,763	(15,034)	216,729
Collectively impaired loans	897,958	(67,199)	830,759
Total	**1,129,721**	**(82,233)**	**1,047,488**

Loans impaired, 2013	**Loans**	**Allowance for impairment**	**Loans less allowance**
Individually impaired loans	414,246	(53,924)	360,322
Collectively impaired loans	410,063	(4,590)	405,473
Total	**824,309**	**(58,514)**	**765,795**

(g) The analysis of the changes in allowance for impairment of loans to customers is presented as follows:

	31 December 2014	**31 December 2013**
Allowance for impairment at the beginning of the year	58,514	34,758
Increase in allowances	317,699	209,900
Release of allowances	(268,825)	(168,762)
Assets written-off	(19,138)	(9,625)
Net result on monetary position	(6,017)	(7,757)
Total allowance for impairment as at the year end	**82,233**	**58,514**

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

(h) analysis of investment in finance lease:

	31 December 2014	31 December 2013
Gross investment in finance leases:		
Less than one year	164	136
Between one year and five years	373	-
Past due	363	1 376
Total gross investment in finance leases:	900	1 512
Unearned income from finance lease	(124)	(16)
Net investment in finance leases	**776**	**1 496**

(j) Concentration of loans to customers

As at 31 December 2014 the Bank had 2 borrower, whose balances exceeded 10% of the Bank's equity: JV "NTS" and Ltd "Midivisana". The gross value of these balances (less impairment loss) as at 31 December 2014 was 132,343 million BYR.
As at 31 December 2013 the Bank had 1 borrower, whose balances exceeded 10% of the Bank's equity. The gross value of these balances (less impairment loss) as at 31 December 2013 was 56,138 million BYR.

9. FINANCIAL ASSETS AVAILABLE FOR SALE

	31 December 2014	31 December 2013
Quoted debt instruments	162,794	-
Unquoted shares	1,333	1,333
Total available for sale financial assets	**164,127**	**1,333**

Financial assets available for sale are presented by unquoted equity securities of four legal entities - residents of the Republic of Belarus and equity securities of a non-resident of the Republic of Belarus (Belgium).

During 2014 the Bank carried out transactions with government long-term bonds in foreign currency and Belarusian roubles, short-term bonds of the National Bank of Belarus, the Belarusian banks bonds.

As at 31 December 2014 Bank had the following quoted shares available for sale:

The issuer of the security	Type of securities	The fair value of investments
Ministry of Finance of the Republic of Belarus	Long-term government bonds	87,292
CJSC VTB Bank (Belarus)	bonds	32,448
JSC "BPS-Bank"	bonds	23,260
JSC "Development Bank of the Republic of Belarus"	bonds	19,794
Total		**162,794**

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

As at 31 December 2014 the Bank had the following derivative financial instrument (financial assets) at fair value through profit or loss:

Type of transaction	Purchase/ Sale	Maturity	Amount in foreign currency	Asset (liability)	Fair value (millions)
SWAP - internal contracts with Belarusian banks	Purchase	Up to 1 month	600,000 Euro	Asset	433
SWAP - internal contracts with Belarusian banks	Purchase	Up to 1 month	5,500,000 US dollars	Asset	4,079
Total					**4,512**

As at 31 December 2013 the Bank had the following derivative financial instrument (financial assets) at fair value through profit or loss:

Type of transaction	Purchase/ Sale	Maturity	Amount in foreign currency	Asset (liability)	Fair value (millions)
Foreign currency forward contract	Purchase	3 years	500 000 Euro	Asset	5,268
Foreign currency derivative	Purchase	2 years	1 000 000 US dollars	Asset	7,556
Total					**12,824**

During 2014 and 2013 the Bank made transactions with financial instruments at fair value through profit or loss. These instruments were presented mainly by currency swaps, forwards and deposit exchange transactions with the National Bank of the Republic of Belarus.

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

11. INVESTMENT PROPERTY

The movement of the investment property for the years ended 31 December 2014 and 2013 are as follows:

	31 December 2014
Cost	
As at 31 December 2013	60,314
Additions in 2014	548
Disposals in 2014	(2,808)
As at 31 December 2014	**58,054**
Accumulated depreciation	
As at 31 December 2013	(1,748)
Charge for 2014	(590)
Disposals in 2014	123
As at 31 December 2014	**(2,215)**
Carrying amount	
As at 31 December 2013	**58,566**
As at 31 December 2014	**55,839**

	31 December 2013
Cost	
As at 31 December 2012	45,485
Additions in 2013	36,413
Disposals in 2013	(21,584)
As at 31 December 2013	**60,314**
Accumulated depreciation	
As at 31 December 2012	(2,118)
Charge for 2013	(583)
Disposals in 2013	953
As at 31 December 2013	**(1,748)**
Carrying amount	
As at 31 December 2012	**43,367**
As at 31 December 2013	**58,566**

Investment property includes trade centre premises, parking places and other property acquired either through the possession of collateral over loans to customers that became non collectible or through purchase, and subsequently is held by the Bank to earn rentals. Due to slowdown on the real estate market in Belarus in 2013 and 2012, the fair value of the property is impracticable to determine.

As at 31 December 2014 and 2013 the Management of the Bank estimated the fair value of the investment property in the amount of approximately BYR 65,737 million and BYR 165,840 million, respectively.

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

12. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The movement of property, equipment and intangible assets of the Bank for the year ended 31 December 2014 was as follows:

	Buildings	Constructions	Vehicles	Computers and office facilities	Furniture and others	Capital investments	Intangible assets	Total
Cost								
As at 31 December 2013	208,806	19,277	5,242	20,154	40,115	26	7,962	301,582
Additions in 2014	760	278	1,936	1,575	3,984	2,079	967	11,579
Revaluation for 2014	10,345	-	-	-	-	-	-	10,345
Transfer between categories	35	-	-	(2)	(33)	-	-	-
Reclassification (note12)	-	-	-	-	(2,527)	-	-	(2,527)
Disposals in 2014	-	(287)	(1,941)	(571)	(1,719)	-	(931)	(5,449)
As at 31 December 2014	**219,946**	**19,268**	**5,237**	**21,156**	**39,820**	**2,105**	**7,998**	**315,530**
Accumulated depreciation								
As at 31 December 2013	(21,626)	(4,646)	(2,911)	(13,220)	(17,869)	-	(4,967)	(65,239)
Charge for 2014	(1,808)	(493)	(745)	(2,205)	(3,744)	-	(63)	(9,058)
Revaluation for 2014	(3,518)	-	-	-	-	-	-	(3,518)
Disposals in 2014	-	210	1,838	559	1,392	-	38	4,037
As at 31 December 2014	**(26,952)**	**(4,929)**	**(1,818)**	**(14,866)**	**(20,221)**	**-**	**(4,992)**	**(73,778)**
Net book value								
As at 31 December 2013	**187,180**	**14,631**	**2,331**	**6,934**	**22,246**	**26**	**2,995**	**236,343**
As at 31 December 2014	**192,994**	**14,339**	**3,419**	**6,290**	**19,599**	**2,105**	**3,006**	**241,752**

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

The movement of property, equipment and intangible assets of the Bank for the year ended 31 December 2013 was as follows:

	Buildings	Constructions	Vehicles	Computers and office facilities	Furniture and others	Capital investments	Intangible assets	Total
Cost								
As at 31 December 2012	299,921	19,100	6,086	19,656	32,822	-	6,812	384,397
Additions in 2013	-	215	485	1,769	9,609	26	1,325	13,429
Revaluation for 2013	(91,115)	-	-	-	-	-	-	(91,115)
Disposals in 2013	-	(38)	(1,329)	(1,271)	(2,316)	-	(175)	(5,129)
As at 31 December 2013	**208,806**	**19,277**	**5,242**	**20,154**	**40,115**	**26**	**7,962**	**301,582**
Accumulated depreciation								
As at 31 December 2012	(22,429)	(4,169)	(3,400)	(12,208)	(16,579)	-	(4,709)	(63,494)
Charge for 2013	(1,347)	(515)	(533)	(2,185)	(3,204)	-	(418)	(8,202)
Revaluation for 2013	2,150	-	-	-	-	-	-	2,150
Disposals in 2013		38	1,022	1,173	1,914	-	160	4,307
As at 31 December 2013	**(21,626)**	**(4,646)**	**(2,911)**	**(13,220)**	**(17,869)**	**-**	**(4,967)**	**(65,239)**
Net book value								
As at 31 December 2012	277,492	14,931	2,686	7,448	16,243	-	2,103	320,903
As at 31 December 2013	187,180	14,631	2,331	6,934	22,246	26	2,995	236,343

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

Starting from 2009 the Bank recognizes buildings at revalued cost. The revaluation was carried out by an independent valuer as at 31 December 2014, 31 December 2013, 31 December 2012, 1 January 2012 and 30 November 2010. For the purpose of the determination of the fair value of the buildings three methods were applied: income method, comparative method and cost method. For the ultimate calculation from the value estimated by each method the following proportions were taken:

- cost method - 0-20%;

- income method value - 40-50%;

- comparative method value - 40-50%.

The cost method implies calculation of costs adjusted to the level of asset's physical deterioration, current price level and profit margin. In accordance with income method, estimated judgments are applied in respect of market risk, management risk factor, and financial risk. Comparative method uses the following assumptions: location adjustment, level of maintenance adjustment, possibility of use adjustment.

As at 31 December 2014 the carrying amount of buildings would have been BYR 85,577 million had the buildings been carried under the cost model (BYR 85,638 million as at 31 December 2013)

13. OTHER ASSETS

	31 December 2014	31 December 2013
Property received as debt repayment	15,678	8,236
Prepayments for property, equipment and construction	6,540	694
Settlements with lessor	4,205	1,751
Accrued income	2,735	514
Accounts payable	1,663	794
Taxes prepaid (other than income tax)	1,519	387
Prepayments for property, equipment and construction	679	826
State duty	631	645
Shortages reported from accountable officers	350	566
Other	2,854	965
Total other assets	**36,854**	**15,378**

As at 31 December 2014 the property transferred to the redemption of debt of "Proizvodstvenno-investicionnaya gruppa" Ltd, JSC "Belzavodstroy", individual amounted to BYR 15,678 million and included residential and nonresidential real estate.

As at 31 December 2013 the property transferred to the redemption of debt of "Proizvodstvenno-investicionnaya gruppa" Ltd amounted to BYR 8,236 million and included residential and nonresidential real estate.

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

14. BALANCES DUE TO FINANCIAL INSTITUTIONS

	31 December 2014	31 December 2013
Deposits due to financial institutions	20,000	49,257
Current accounts due to banks	25,940	5,121
Total balances due to financial institutions	**45,940**	**54,378**

As at 31 December 2014 and 2013 the Bank had no balances with banks, exceeding 10% of the Bank's equity.

15. CUSTOMER ACCOUNTS

	31 December 2014	31 December 2013
Profit-oriented companies	501,940	343,679
Non-for-profit organisations	34,783	25,788
Transactions with e-money	17,116	9,650
Individual entrepreneurs	30,433	25,993
Individuals	713,791	551,394
Total customer accounts	**1,298,063**	**956,504**

As at 31 December 2014 and 2013 the Bank had no balances with clients, whose balances exceeded 10% of the Bank's equity.

16. DEBT SECURITIES ISSUED

As at 31 December 2014 and 2013 the Bank had the following securities in circulation:

	31 December 2014	31 December 2013
Bonds issued	66,691	40,065
Deposit certificates	20	20
Total debt securities issued	**66,711**	**40,085**

During 2014 the Bank registered 13th, 14th issues, bond of the 9th, 10th, 11th issue were redeemed. During 2014 the Bank performed transactions with the bonds of the 11th, 12th including 11th issues in Belarusian roubles, 12th issues in US dollars.

During 2013 the Bank registered and issued 9th, 10th, 11th and 12th issues, bond of the 7th issue were redeemed. During 2013 the Bank performed transactions with the bonds of the 7th, 9th to 12th issues including 3 issues in Belarusian roubles (7th, 10th, 11th), in US dollars - 9th and 12th issues.

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

As at 31 December 2014 the Bank had the following bonds in circulation:

	Maturity date	Interest rate	Amount as at 31 December 2014
Bonds of the 12th issue	11.11.2016	6%	66,691
Total			**66,691**

As at 31 December 2013 the Bank had the following bonds in circulation:

	Maturity date	Interest rate	Amount as at 31 December 2013
Bonds of the 9th issue	11.02.2014	5.5%	2,663
Bonds of the 11th issue	22.07.2014	20%	1,683
Bonds of the 12th issue	11.11.2016	6%	35,719
Total			**40,065**

17. PREFERENCE SHARES

As at 31 December 2014 and 2013 the Bank issued 64,213 preference shares. As at 31 December 2014 and 2013 the par value of one share amounted to BYR 2,345 (historical cost).

During 2014 Bank does not buy its own shares on the balance issue.

During 2013 the Bank repurchased from the shareholders 75 preference shares at BYR 2,345 per share purchased (historical cost). Total amount was BYR 175,875 (historical cost). The cost of these shares for the effects of hyperinflation 218,102 BYR.

Preference shareholders have a right to receive annual dividends in the amount of BYR 200 for one share and a right to the Bank's residual assets. The preference shares give no voting right at the Shareholders' Meetings.

18. OTHER LIABILITIES

	31 December 2014	31 December 2013
Unused vacations accrual	5,876	6,090
Provisions for loan commitments	5,736	17,432
Tax liabilities other than income tax liabilities	5,592	-
Accrued expenses	3,820	1,384
Payables to other creditors	1,512	3,478
Other	527	2,064
Total other liabilities	**23,063**	**30,448**

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

19. SHARE CAPITAL

The Bank's shareholders as at 31 December 2014 and 2013 were as follows:

	% of total issued share capital 31.12.2014	% of total issued share capital 31.12.2013
Legal entities		
Limited liability company "Kvolitas-Plus"	48.66	48.66
State Committee on Property of the Republic of Belarus	8.03	8.03
"Fleetwood Finance"	-	-
Superadded liability company "Stroytechnotrade"	2.44	2.44
Limited liability company "Megaproektstroy"	2.01	2.01
Limited liability company "Novy Standard"	1.40	1.40
FPTC "Gospak"	1.09	1.09
Individuals		
I. A. Kurach	15.62	15.62
V. A. Kotsarenko	7.52	7.52
E. M. Kotsarenko	4.61	4.61
O.V. Zverev	2.78	2.78
M. V. Nikolaevich	1.56	1.56
Other shareholders	4.28	4.28
Total	**100.00**	**100.00**

Share capital was not increased in 2014.

Following the decision of the Shareholders' General Meeting (minutes No.2 dated 16 April 2014) 21.05.2014 the Bank sold own shares repurchased in 2013 in the amount 2,676 ordinary shares at BYR 2,345 per shares. Total amount was BYR 6 million (with impact of hyperinflation BYR 8 million).

Following the decision of the Shareholders' General Meeting (minutes No.1 dated 16 January 2013) the Bank sold own shares repurchased in 2012 in the amount of 78,526 ordinary shares at BYR 1,900 per shares. Total amount was BYR 149 million (with impact of hyperinflation BYR 225 million).

In February 2013 the Shareholders' General Meeting (minutes No.2 dated 6 February 2013) decided to increase the share capital due to issue of additional ordinary shares and place them using public offering.

Following the decision of the Shareholders' General Meeting (minutes No.7 dated 4 July 2013) the results of public offering for the additional share issue was approved in the amount of 5,117,850 shares with par value of BYR 2,345; total amount was BYR 12,001 million (with impact of hyperinflation BYR 15,018 million). These changes to the Charter of JSC "Technobank" were registered by the National Bank of the Republic of Belarus on 12 August 2013.

During 2013 the Bank repurchased from the shareholders 2,751 shares at BYR 2,345 per share. Total amount is BYR 6 million (with impact of hyperinflation BYR 8 million).

In accordance with IAS 29, share capital of the Bank has been restated in terms of purchasing power of the Belarusian ruble as at 31 December 2014 and amounted to BYR 525,242 million.

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

20. INTEREST INCOME

	2014	2013
On loans to customers	163,921	130,959
Financial assets available for sale	16,624	16,617
Balances due from financial institutions	11,785	23,729
Financial assets held to maturity	-	-
Other interest income	288	92
Total interest income	**192,618**	**171,397**

21. INTEREST EXPENSE

	2014	2013
Interest expense on liabilities at amortised cost:		
- on customer accounts	(77,572)	(44,706)
- on debt securities issued	(12,398)	(7,374)
- on balances due to financial institutions	(4,986)	(1,927)
Preference shares	(12)	(17)
Other interest expense	(69)	(368)
Total interest expense	**(95,037)**	**(54,392)**

22. COMMISSION AND FEE INCOME

	2014	2013
Transactions with bank plastic cards	38,755	32,543
Client accounts' maintenance	30,883	28,389
Foreign exchange transactions	27,626	8,547
Money transfers	7,207	6,189
Transactions with checks	5,465	5,577
Documentary transactions	3,400	3,989
Transactions with securities	423	330
Bank accounts' maintenance	363	609
Commission and fee income on loans	70	3
Other	4,616	4,018
Total commission and fee income	**118,808**	**90,194**

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

23. COMISSION AND FEE EXPENSE

	2014	2013
Transactions with bank plastic cards	(13,137)	(11,536)
Bank accounts' maintenance	(2,514)	(2,529)
Purchase (sale) of cash	(1,831)	(2,684)
Foreign exchange transactions	(554)	(681)
Documentary transactions	(288)	(295)
Transactions with securities	(105)	(102)
Other	(272)	(366)
Total commission and fee expense	**(18,701)**	**(18,193)**

24. NET LOSS ON FINANCIAL INSTRUMENTS

	2014	2013
Net income/ (loss) on financial assets available for sale	7,431	540
Net loss on financial instruments at fair value through profit or loss	4,690	(1,152)
Total net loss on financial instruments	**12,121**	**(612)**

25. NET FOREIGN EXCHANGE INCOME

	2014	2013
Exchange differences gain	37,538	5,547
Gain on foreign currency transactions	25,513	65,365
Total foreign exchange gain/ (loss)	**63,051**	**70,912**

26. PERSONNEL EXPENSES

	2014	2013
Remuneration	(78,891)	(65,892)
Social security contributions	(23,730)	(20,939)
Total personnel expenses	**(102,621)**	**(86,831)**

The average number of employees employed by the Bank in 2014 was 642 persons (in 2013: 587).

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

27. OTHER INCOME

	2014	2013
Debts previously written-off recovered	11,400	7,666
The recognition of other payables unclaimed customers	3,060	184
Penalties	1,003	5,047
Income on disposal of property	920	1,806
Lease payments	788	597
Income from cash collection services	685	-
Income from consulting and information services	202	84
Other	2,146	248
Total other income	**20,204**	**15,632**

28. OTHER EXPENSES

	2014	2013
Taxes other than income tax	(12,569)	(6,220)
Repairs and maintenance	(11,020)	(8,404)
Software	(7,996)	(4,765)
Payments to the Individual Deposits Security Fund	(7,799)	(6,490)
Rent	(6,845)	(5,608)
Marketing	(2,813)	(1,906)
Security costs	(2,658)	(2,552)
Transport expenses	(1,921)	(1,801)
Charity	(1,542)	(2,128)
Collection	(1,498)	(2,149)
Insurance	(1,377)	(1,377)
Communication and mail expenses	(1,133)	(5,131)
Information services	(964)	(552)
Stationery	(873)	(2,343)
Professional services	(649)	(695)
Other	(6,754)	(4,800)
Total other expenses	**(68,411)**	**(56,921)**

29. INCOME TAX EXPENSE

Belarusian legal entities must file individual tax returns. The income tax rate for banks for income other than on state securities was 18% in 2014 and 2013. From 1 January 2015 the profit tax rate for banks is set at 25%.

As of December 31, 2014 and 2013 calculation of deferred tax assets and liabilities was carried out using the tax rates of 25% and 18% respectively.

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

Expenses / (income) on corporate income tax are as follows:

	2014	2013
Current income tax for the year	19,444	10,041
Deferred income tax expense/(benefit)	16,147	(21,594)
Total	**35,291**	**(11,553)**

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

	2014	2013
Deductible temporary differences		
Precious metals	134	879
Available for sale financial assets	1,720	-
Loans to customers	8,211	-
Property and equipment and intangible assets	-	76,978
Customer accounts	977	4,495
Other assets and liabilities	19,683	11,596
Total deductible temporary differences	**30,725**	**93,948**
Deferred tax asset	**7,682**	**16,911**
Temporary differences subject to taxation		
Cash and cash equivalents	(2,439)	(4,677)
Financial assets at fair value through profit or loss	(145)	-
Balances due from financial institutions	-	(1,747)
Loans to customers	-	(46,754)
Property and equipment and intangible assets	(40,386)	-
Investment property	(38,819)	(16,462)
Available for sale financial assets	-	(1,245)
Total temporary differences subject to taxation	**(81,789)**	**(70,883)**
Net deductible temporary differences	**(20,447)**	**(12,760)**
Net deferred tax asset at statutory rate 18%	**(12,765)**	**4,150**

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

Information on actual income tax expenses and its theoretical amount is presented as follows:

	2014	2013
Profit before income tax and after loss on net monetary position	37,611	30,042
Theoretical corporate income tax at statutory rate (18%)	6,770	5,408
Effect of a change in income tax rate	3,574	-
The effect of the revaluation of fixed assets for tax purposes	-	(1,783)
Tax effect of income / expenses not involved in taxation	23,449	(16,019)
Inflationary effect	1,448	841
Total income tax expense	**35,291**	**(11,553)**

Information on deferred income tax movement as follows:

	2014	2013
Deferred income tax at the beginning of the year	4,150	(33,459)
Recognised in the losses and incomes	(16,147)	21,595
Recognised in other comprehensive income	(768)	16,014
Total income deferred tax asset at the end of the year	**(12,765)**	**4,150**

30. RISK MANAGEMENT

The Bank has established an internal control system.

The objective of the internal control system is to provide:

- efficiency and effectiveness of banking activities;
- efficient management of assets and liabilities, including custody of assets; risk management, i.e. identification, valuation and determination of acceptable risk level along with inherent banking losses and liquidity worsening resulting from internal and external business situation;
- regular risk monitoring;
- adequate measures to hold the acceptable risk level, i.e. the one than does not threaten financial stability of the Bank and its investors and creditors;
- accuracy, completeness, impartiality and timeliness in preparing and presenting all kinds of reporting (statistic forms, accounting, financial statements);
- performance in compliance with national legislation of the Republic of Belarus and internal legal documents and rules of the Bank;
- non-involvement of the Bank into illegal activities, i.e. prevention of money-laundering activities, financing of terrorism;
- timely submission of all required information (according to the legislation of the Republic of Belarus) to statutory authorities.

Members of internal control system within the Bank are: General Shareholders' meeting, Committee of Directors, Board of the Bank, Chairman of the Board and his Deputies, Bank's Review Committee, Audit Committee, Loan Committee, Risk Committee, department managers and employees.

Within the framework of an internal control system, the Bank has developed the Risk Management Policy. The Risk Management Policy is established to identify and analyse the Bank's risks, to set appropriate risk limits and controls and to monitor the adherence to these limits.

The management of the Bank has responsibility for the establishment and oversight of the Bank's risk management system, however risk monitoring on a daily basis is performed by the structural departments of the Bank. The Risk Management Policy is reviewed on a regular basis to reflect changes in market conditions and/or in the Bank's strategy.

The Bank faces the following main risks: credit risk, liquidity risk, market risk, country risk, operational risk.

This note presents information about the Bank's exposure to each of various risks, the Bank's objectives, policies and processes for measuring and managing risks, and the Bank's management of capital.

(a) Credit risk

Credit risk is the risk of potential loss resulting from non-fulfilment, past due fulfilment or incomplete fulfilment of contractual obligations by the Bank's debtor or counterparty according to the contract terms and legislation.

Credit risk is managed in accordance with the risk management policy. This policy details the basic principles of credit risk identification, assessment (measurement), determination of an acceptable level of risk, direct management, control and development of the level of risk measures for its restriction (reduction).

The aim of credit risk management is to balance acceptable ratios of profitability with indicators of safe and liquid functioning of Bank.

The Bank carries out qualitative and quantitative estimation of credit risk levels, using statistical and ratio methods of risk assessment.

The Bank's statistical method of credit risk assessment is based on the analysis of statistical data on a financial position of borrowers, about quantity and size of overdue payments, other information influencing the quality of a credit portfolio for the certain period of time, on risk groups, ownership forms, activity types. The obtained statistical data is compared to predictive estimates.

The ratio method involves calculation of the relative indicators, allowing estimating credit risks forming a part of the Bank's credit portfolio, which settlement values are compared to the permissible value of this indicator, and on this basis to define the Bank's level of overall credit risk qualitatively and quantitatively.

The management of risks related to ordinary loans involves the assessment of the potential borrower's credit standing. Decisions on providing loans are made by the Credit Committee and other authorised bodies.

To manage the credit risk the Bank applies the following methods:

- diversification of loan portfolio in order to distribute credit risks and to prevent its concentration;

  credit risks limitation. For interbank transactions the main credit risk restriction method is its limitation. When providing loans to individuals the Bank uses such credit risk restriction methods as: development and approval of crediting standards determining the maximum and minimum amounts of loans; development and approval of the requirements to the borrowers, defining criteria of their creditworthiness; check if a borrower complies with the approved requirements and selective control from Risk Management Department; segregation of duties concerning decision making on granting the loans to individuals between the Bank's Credit Committee and the Bank's authorized official; supervising how the borrower performs his obligations; work with loans which are past due. When providing loans to legal entities the Bank uses such credit risk restriction methods as: preliminary and current analysis of the client; analysis of sufficiency, quality and liquidity of collateral; collective decision-making on granting a loan; monitoring of the borrower's financial position and cost of the collateral; work with loans which are past due. Besides, restriction of credit risks is carried out by means of observance of the ratios established by NB RB;

- analysis of the structure and quality of the Bank's assets subject to credit risk and maintenance of a share of the problem loans to customers and to financial institutions at the level recommended by the National bank of the Republic of Belarus. Following the results of the clients' debt analysis by the Credit Committee, requirements to potential clients and conditions for transaction conducting subject to credit risks can be reconsidered;

- credit risk stress-testing in order to determine potential credit risk;

- determination of allowance for impairment.

The maximum level of credit risk exposure is reflected in the carrying value of financial assets recognised in the statement of financial position. The maximum exposure to credit risk for off-balance sheet commitments equals to the amount of liabilities. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 9.

(b) Liquidity risk

Liquidity risk is the risk of potential loss the Bank may incur as a result of inability to meet its obligations in time by turning its assets into the means of payment set by the contract or inability to receive additional resources to fulfil these obligations.

The main objective of the Bank's liquidity management is ensuring sufficiency of the Bank's liquid funds to cover both planned and unplanned outflow of money according to obligations.

The Bank applies such methods of liquidity risk management as ratio analysis, cash flows prognosis, gap analysis, stress-testing.

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

The Bank estimates liquidity mainly on the basis of the liquidity standard rates established by the National Bank of the Republic of Belarus. These standard rates are given below (as at 31 December):

Standard rate	By the National Bank of the Republic of Belarus	2014	2013
"Short-term liquidity" (ratio of assets with maturity periods less than 1 year to liabilities with maturity periods less than 1 year)	Min 1	2.9	1.9
"Quick liquidity" (ratio of assets on demand and liabilities on demand and overdue)	Min 20%	267.6%	441.1%
"Current liquidity" (ratio of assets with periods before 30 days, including assets on demand, and liabilities with periods before 30 days including liabilities on demand and overdue)	Min 70%	152.9%	185.0%
"Minimum ratio of liquid and total assets" (to maintain adequate ration of liquid assets)	Min 20%	35.6%	35.8%

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

Analysis of financial liabilities by terms till maturity

The following table sets out the remaining contractual maturities of financial liabilities representing undiscounted cash flows (both principal and interest cash flows) based on the earliest date on which the Bank can be required to pay as at 31 December 2014 and 31 December 2013.

31 December 2014	Carrying amount/ loan commitments	Undiscounted cash flows	Within 1 month	1 - 3 months	3 - 6 months	6 -12 months	1 - 5 years	More than 5 years	Maturity undefined
Financial liabilities									
Balances due to financial institutions	45,940	46,077	46,077	-	-	-	-	-	-
Customer accounts	1,298,063	1,314,948	823,047	63,525	35,199	79,538	304,878	691	8,070
Debt securities issued	66,711	74,197	340	647	998	2,017	70,175	-	20
Preference shares	193	193	-	-	-	-	-	-	193
Other financial liabilities	11,836	13,527	13,488	17	-	22	-	-	-
Total future potential cash outflows on financial liabilities	**1,422,743**	**1,448,942**	**882,952**	**64,189**	**36,197**	**81,577**	**375,053**	**691**	**8,283**
Loan commitments	**227,021**	**227,021**	**81,000**	**1,414**	**6,466**	**32,691**	**85,378**	**20,072**	**-**

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

31 December 2013	Carrying amount/ loan commitments	Undiscounted cash flows	Within 1 month	1 - 3 months	3 - 6 months	6 -12 months	1 - 5 years	More than 5 years	Maturity undefined
Financial liabilities									
Balances due to financial institutions	54,378	54,535	40,008	14,527	-	-	-	-	-
Customer accounts	956,503	1,350,314	735,167	94,905	85,798	178,429	249,766	6,249	-
Debt securities issued	40,085	46,366	-	2,663	1,683	-	42,000	-	20
Preference shares	193	193	-	-	-	-	-	-	193
Other financial liabilities	24,359	24,359	24,359	-	-	-	-	-	-
Total future potential cash outflows on financial liabilities	**1,075,518**	**1,475,767**	**799,534**	**112,095**	**87,481**	**178,429**	**291,766**	**6,249**	**213**
Loan commitments	**288,094**	**288,094**	**12,986**	**48,866**	**55,093**	**37,716**	**133,433**	**-**	**-**

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

(c) Market risk

Market risk covers currency risk, interest rate risk and other pricing risks, to which the Bank is exposed.

Currency risk is the risk of potential loss as a result of the revaluation of statement of financial position and off-balance sheet items denominated in foreign currencies due to change in exchange rates.

The Bank continuously monitors the open positions of foreign currencies and regularly assesses the structure of assets and liabilities by currency for the purpose to pursue the limit of the open currency position. This limit is set by NB RB and amounts to 10% of Tier I capital for each currency.

The table below provides the analysis of the Bank's financial assets and financial liabilities by currency profile as at 31 December 2014:

31 December 2014	BYR	EUR	USD	RUB	Other curren-cies	Total
Financial assets						
Cash and cash equivalents	254,986	31,285	106,091	18,769	1,912	**413,043**
Balances due from financial institutions	14,258	-	13,082	-	-	**27,340**
Financial assets at fair value through profit or loss	-	433	4,079	-	-	**4,512**
Loans to customers	449,543	129,846	451,817	16,282	-	**1,047,488**
Financial assets available for sale	36,452	-	127,675	-	-	**164,127**
Other financial assets	13,667	290	9,193	143	4	**23,297**
Total financial assets	**768,906**	**161,854**	**711,937**	**35,194**	**1,916**	**1,679,807**
Financial liabilities						
Balances due to financial institutions	20,002	1,243	24,681	9	5	**45,940**
Customer accounts	54,620	195,017	680,472	26,398	341,556	**1,298,063**
Debt securities issued	20	-	66,691	-	-	**66,711**
Preference shares	193	-	-	-	-	**193**
Other financial liabilities	9,887	342	1,593	14		**11,836**
Total financial liabilities	**84,722**	**196,602**	**773,437**	**26,421**	**341,561**	**1,422,743**
Net long / (short) financial position	**684,184**	**(34,748)**	**(61,500)**	**8,773**	**(339,645)**	**257,064**

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

The table below provides the analysis of the Bank's financial assets and financial liabilities by currency profile as at 31 December 2013:

31 December 2013	BYR	EUR	USD	RUB	Other curren-cies	Total
Financial assets						
Cash and cash equivalents	278,200	43,607	146,975	48,654	890	**518,326**
Balances due from financial institutions	12,315	-	9,869	-	-	**22,184**
Loans to customers	205,181	112,029	435,668	12,917	-	**765,795**
Financial assets available for sale	1,333	-	-	-	-	**1,333**
Other financial assets	507	-	6	-	-	**513**
Total financial assets	**497,536**	**155,636**	**592,518**	**61,571**	**890**	**1,308,151**
Financial liabilities						
Balances due to financial institutions	3	16,554	37,811	-	10	**54,378**
Customer accounts	328,298	126,505	448,877	52,692	132	**956,504**
Debt securities issued	1,703	-	38,382	-	-	**40,085**
Preference shares	193	-	-	-	-	**193**
Other financial liabilities	16,316	3,547	4,482	14	-	**24,359**
Total financial liabilities	**346,513**	**146,606**	**529,552**	**52,706**	**142**	**1,075,519**
Net long / (short) financial position	**151,023**	**9,030**	**62,966**	**8,865**	**748**	**232,632**

Sensitivity analysis - Currency risk

A 10 % strengthening of the BYR against the following currencies as at 31 December 2014 would have increased (decreased) profit before tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2013.

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

	Impact on profit before tax	Impact on equity before tax
31 December 2014		
EUR	3,475	3,475
USD	6,150	6,150
RUB	(877)	(877)
Other currencies	33,965	33,965
31 December 2013		
EUR	(90)	(90)
USD	(6,297)	(6,297)
RUB	(887)	(887)
Other currencies	(75)	(75)

A weakening of BYR against the above currencies at 31 December 2014 would have had the equal but opposite effect on amounts shown above, on the basis that all other variables remain constant.

Interest rate risk is the risk of potential loss the Bank may incur as a result of interest rate fluctuations.

Estimation technique of the interest rate risk is based on GAP-analysis of assets and liabilities sensitive to interest rate fluctuation and stress-testing.

Sensitivity analysis - interest risk

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit before tax and capital by the amounts shown below. The analysis assumes that all other variables remain constant.

	Impact on profit before tax		Impact on equity before tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2014				
Floating rate instruments	56	(56)	56	(56)
31 December 2013				
Floating rate instruments	(36)	36	(36)	36

To manage the market risk the Bank uses the following methods: limitation, distribution of authority, insurance (i.e. forwards, swaps), stress-testing.

(d) Country risk

Country risk is the risk of potential losses arising from the inability of residents of foreign countries to meet their obligations as a result of changes in the economic, political, and legal environment of the respective countries.

Before entering into transactions with residents of foreign countries, the Bank performs an assessment of the influence of economic, social, political and legal circumstances on the residents' ability to fulfil their obligations.

To manage the country risk the Bank applies such methods as restriction, distribution of authority.

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

The geographical analysis of assets and liabilities of the Bank as at 31 December 2014 is presented as follows:

31 December 2014	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	366,011	33,507	13,525	**413,043**
Balances due from financial institutions	27,340	-	-	**27,340**
Financial assets at fair value through profit or loss	4,512	-	-	**4,512**
Loans to customers	1,047,488	-	-	**1,047,488**
Financial assets available for sale	164,127	-	-	**164,127**
Other financial assets	23,297	-	-	**23,297**
Total financial assets	**1,632,765**	**33,507**	**13,525**	**1,679,807**
Financial liabilities				
Balances due to financial institutions	45,905	-	35	**45,940**
Customer accounts	1,260,957	2,004	35,102	**1,298,063**
Debt securities issued	66,711	-	-	**66,711**
Preference shares	193	-	-	**193**
Other financial liabilities	11,836	-	-	**11,836**
Total financial liabilities	**1,385,602**	**2,004**	**35,137**	**1,422,743**
Net financial position	**247,173**	**31,503**	**(21,612)**	**257,064**

The geographical analysis of assets and liabilities of the Bank as at 31 December 2013 is presented as follows:

31 December 2013	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	470,496	33,604	14,226	**518,326**
Balances due from financial institutions	22,184	-	-	**22,184**
Loans to customers	765,795	-	-	**765,795**
Financial assets available for sale	1,003	330	-	**1,333**
Other financial assets	513	-	-	**513**
Total financial assets	**1,259,991**	**33,934**	**14,226**	**1,308,151**
Financial liabilities				
Balances due to financial institutions	54,112	-	266	**54,378**
Customer accounts	942,759	1,486	12,259	**956,504**
Debt securities issued	40,085	-	-	**40,085**
Preference shares	193	-	-	**193**
Other financial liabilities	24,359	-	-	**24,359**
Total financial liabilities	**1,061,508**	**1,486**	**12,525**	**1,075,519**
Net financial position	**198,483**	**32,448**	**1,701**	**232,652**

(e) Operational risk

Operational risk is the risk of direct or indirect losses arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Bank's operations and are faced by all business entities.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management of the Bank. This responsibility is supported by the development of standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

(f) Capital management

The Management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Management also monitors the return on capital.

Capital adequacy

The main objective of the Bank's capital management is to ensure the Bank's compliance with externally imposed capital and maintaining a strong credit rating and healthy capital ratios required for the implementation of its business and maximize shareholder value.

The Bank manages its capital structure and makes adjustments to it when economic conditions change and the risk characteristics of its activities. As compared to previous years there were no any changes in the objectives, policies and processes for managing capital.

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

Capital adequacy is calculated in accordance with the National Bank of Republic of Belarus (NB RB) requirements. The prescribed ratio of Tier I capital adequacy should be not less than 10 %; Tier II capital adequacy has to be not less than 5 %. As at 31 December 2014, the Bank was in compliance with the capital adequacy requirements set in the Belarusian Law and NB RB regulations.

Calculated in accordance with the requirements of the National Bank of the Republic of Belarus Tier I capital and Tier II capital adequacy ratio for the year ended 31 December 2014 equalled to 23.7% and 9.5% respectively (31 December 2013: 20.9% and 12.9% respectively).

As of 31.12.2014, the Bank has provided performance the performance and capital adequacy requirements of the National Bank of the Republic of Belarus to the minimum amount of regulatory capital for banks authorized to conduct banking operations, with the exception of attracting funds from individuals (including individual entrepreneurs) in form of bank accounts and (or) deposits and (or) opening and maintaining bank accounts of individuals (EUR 25 million).

The size of Tier I capital as at 1 January 2015 was EUR 31.16 million (as at 1 January 2014 it was EUR 23.28 million).

Regulations of the National bank of the Republic of Belarus on capital adequacy generally concur with Basel committee regulations.

31. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Operating lease commitments

The future minimum non-cancellable operating lease payments under agreements where the Bank is a lessee are presented below:

	2014	2013
Less than 1 year	1,565	966
From 1 to 5 years	359	-
Total operating lease commitments	**1,924**	**966**

(b) Loan commitments

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position. The Bank's maximum exposure to credit loss under contingent liabilities and credit commitments to extend credit, in the event of non-performance by the other party of all counterclaims and impairment of collateral and guarantees, would be equal to the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

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Loan commitments of the Bank were as following:

	2014	2013
Guarantees issued	138,743	182,965
Unwithdrawn loan facilities	79,673	97,181
Letters of credit	8,605	7,948
Total loan commitments	**227,021**	**288,094**
Less provision for loan commitments	(5,736)	(17,432)
Total	**221,285**	**270,662**

Analysis of changes in provisions for loan commitments is as follows:

	2014	2013
Provision as at the beginning of the year	17,432	2,689
Increase in provision	25,559	40,066
Release of provision	(35,170)	(24,878)
Net result on monetary position	(2,085)	(445)
Total provision as at the year end	**5,736**	**17,432**

(c) Litigation

From time to time in the process of the Bank's activity customers and counterparties claim against the Bank. The Management believes that as a result of proceedings thereon the Bank will not incur significant losses and, accordingly, no provisions in the financial statements were made.

(d) Pension payments

The Bank's employees receive pension in accordance with the law of the Republic of Belarus. As at 31 December 2014 and 31 December 2013 the Bank has no obligations for additional payments, pension medical services, insurance, pension benefits for current or former employees to be charged.

(e) Legislation

Certain provisions of Belarusian business and tax legislation may have different interpretation and may be applied inconsistently. Besides that, interpretations made by the Management may differ from official interpretations and may be disputed by controlling bodies. This may lead to additional tax payments, imposition of fines and other preventive actions. The Management's opinion is that the Bank has made all required tax and other payments. However inspections by controlling bodies may refer to preceding tax periods.

32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The following table shows analysis of the financial instruments recorded in the financial statements at fair value in view of the hierarchy level of fair value sources:

Financial assets and liabilities at fair value

31.12.2014	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	-	4,512	-	**4,512**
Financial assets available for sale	-	162,794	-	**162,794**

31.12.2013	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	-	-	-	-

Financial instruments at fair value

Description of fair value of financial instruments at fair value by means of assessment procedures is given below. Bank's assessment of the assumptions which could be used by the market players when determining the instruments cost is included.

Derivatives

Derivatives, which are valued using a valuation technique with market observable inputs, mainly represent interest rate swaps, currency swaps and forward foreign exchange contracts. Valuation techniques most frequently applied include swap pricing models which use present value calculations with interest rate parity model. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

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Financial instruments measured at amortised cost for which the fair value is disclosed

A comparison of the carrying amount and fair value per class of financial instruments of the Bank using third-level fair value hierarchy is described below. The table does not include the fair value of nonfinancial assets and nonfinancial liabilities:

31 December 2014	Carrying amount as at 31 December 2014	Fair value as at 31 December 2014	Carrying amount as at 31 December 2013	Fair value as at 31 December 2013
Financial assets				
Cash and cash equivalents	413,043	413,043	518,326	518,326
Balances due from financial institutions	27,340	27,340	22,184	22,184
Loans to customers	1,047,488	1,047,488	765,795	765,795
Financial assets available for sale	1,333	1,333	1,333	1,333
Other financial assets	23,297	23,297	513	513
Total financial assets	**1,512,501**	**1,512,501**	**1,308,151**	**1,308,151**
Financial liabilities				
Balances due to financial institutions	45,940	45,940	54,378	54,378
Customer accounts	1,298,063	1,298,063	956,503	956,503
Debt securities issued	66,711	66,711	40,085	40,085
Preference shares	193	193	193	193
Other financial liabilities	11,836	11,836	24,359	24,359
Total financial liabilities	**1,422,743**	**1,422,743**	**1,075,518**	**1,075,518**

The methodologies and assumptions used in determining the fair value of those financial instruments that are not reflected in the financial statements at fair value are described below.

Assets with fair value approximating its carrying amount

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) and for financial assets and financial liabilities in foreign currency it is assumed that the fair value approximate their carrying amounts. This assumption is also applied to demand deposits and savings accounts without a maturity. For financial instruments with floating interest rate which changes are determined by changes in the refinancing rate of the National Bank of the Republic of Belarus it is assumed that the fair value is normally their carrying amount.

Fixed and floating 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.

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33. 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 Note31 Risk management for Bank's contractual undiscounted repayment obligation.

	31 December 2014			31 December 2013		
	Within one year	**More than one year**	**Total**	**Within one year**	**More than one year**	**Total**
Assets						
Cash and cash equivalents	413,043	-	**413,043**	518,326	-	**518,326**
Precious metals	3,668	-	**3,668**	3,004	-	**3,004**
Balances due from financial institutions	27,340	-	**27,340**	22,184	-	**22,184**
Loans to customers	777,463	270,025	**1,047,488**	279,331	486,464	**765,795**
Financial assets available for sale	92,161	71,966	**164,127**	1,333	-	**1,333**
Financial assets at fair value through profit or loss	4,512	-	**4,512**	-	-	-
Investment property	-	55,839	**55,839**	-	58,566	**58,566**
Property and equipment and intangible assets	-	241,752	**241,752**	-	236,343	**236,343**
Deferred income tax	-	-	-	-	4,150	**4,150**
Other assets	34,782	2,072	**36,854**	15,329	49	**15,378**
Total assets	**1,352,969**	**641,654**	**1,994,623**	**839,507**	**785,572**	**1,625,079**
Liabilities						
Balances due to financial institutions	45,940	-	**45,940**	54,378	-	**54,378**
Customer accounts	992,494	305,569	**1,298,063**	731,339	225,165	**956,504**
Debt securities issued	20	66,691	**66,711**	4,366	35,719	**40,085**
Preference shares	193	-	**193**	193	-	**193**
Current income tax liabilities	3,810	-	**3,810**	4,020	-	**4,020**
Deferred income tax liabilities	-	12,765	**12,765**	-	-	-
Other liabilities	22,942	121	**23,063**	30,292	156	**30,448**
Total liabilities	**1,065,399**	**385,146**	**1,450,545**	**824,588**	**261,040**	**1,085,628**
Net position	**287 570**	**256,508**	**544,078**	**14,919**	**524,532**	**539,451**

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

34. RELATED PARTY TRANSACTIONS

Related parties are defined as shareholders who have significant influence over the Bank, key Management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies.

Amounts included in the statement of financial position on transactions with related parties were as follows:

	31 December 2014	31 December 2013
Customer accounts	341	456
Total	**341**	**456**

	31 December 2014	31 December 2013
Loans to customers		
Credit payables	159,370	140,646
Less allowance for impairment loss	(18,462)	(15,676)
Total net loans to customers	**140,908**	**124,970**

Transactions with related parties included in the statement of comprehensive income were as follows:

	2014	2013
Interest and commission income and expenses		
Interest income	11,814	13,397
Interest expenses	(160)	(203)
Commission and fee income	187	184
Total	**11,841**	**13,351**

	2014	2013
Rent	(1,352)	(932)
Total	**(1,352)**	**(932)**

	2014	2013
Remuneration to key management staff	10,238	8,845
Total	**10,238**	**8,845**