BELGAZPROMBANK

Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2014

BELGAZPROMBANK

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of Belorussian-Russian Belgazprombank Joint Stock ("Belgazprombank" or the "Bank") as at 31 December 2014, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements of the Bank for the year ended 31 December 2014 were approved on 2 March 2015 by the Chairman of the Management Board of Belgazprombank.

On behalf of the Management Board:

Chairman of the Management Board	**Chief Accountant**
V.D. Babaryka	**T.M. Pivavar**
2 March 2015	2 March 2015
Minsk	Minsk

Deloitte.

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INDEPENDENT AUDITOR’S REPORT

To: the Board of Directors and the shareholders of Belorussian-Russian Belgazprombank Joint Stock

We have audited the accompanying financial statements of Belorussian-Russian Belgazprombank Joint Stock (“Belgazprombank” or the “Bank”), which comprise the balance sheet as at 31 December 2014, the corresponding income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for Financial Reporting

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

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Deloitte & Touche

13 March 2015
Minsk

BELGAZPROMBANK

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Belarusian Rubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
Interest income	5, 29	2,093,721	1,846,189
Interest expense	5, 29	(1,087,282)	(922,814)
NET INTEREST INCOME BEFORE IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		1,006,439	923,375
Impairment losses on interest-bearing assets	6, 29	(177,970)	(128,305)
Recovery of assets previously written off		10,104	17,604
NET INTEREST INCOME		838,573	812,674
Net foreign exchange loss	7	(238,921)	(52,768)
Net gain on operations with financial instruments at fair value through profit or loss	8	490,554	235,364
Fee and commission income	9, 29	407,700	344,054
Fee and commission expense	9, 29	(83,221)	(74,978)
Net gain /(loss) on operations with precious metals		4,759	(224)
Provision for other transactions	6	(2,263)	(3,411)
Other income	10, 29	36,409	25,942
NET NON-INTEREST INCOME		615,017	473,979
OPERATING INCOME		1,453,590	1,286,653
OPERATING EXPENSE	11, 29	(813,886)	(673,080)
Loss on net monetary position due to inflation		(392,293)	(395,128)
PROFIT BEFORE TAX		247,411	218,445
Income tax expense	12	(123,971)	(94,914)
NET PROFIT		**123,440**	**123,531**

On behalf of the Management Board:

Chairman of the Management Board
V.D. Babaryka

2 March 2015
Minsk

Chief Accountant
T.M. Pivavar

2 March 2015
Minsk

The notes on pages 9-61 form an integral part of these financial statements.

BELGAZPROMBANK

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Belarusian Rubles)

	Year ended 31 December 2014	Year ended 31 December 2013
NET PROFIT	123,440	123,531
OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss:		
Transfer of comprehensive loss to profit or loss upon disposal of investments available for sale	1,852	64
Change in fair value of investments available for sale	(16,169)	(23,764)
TOTAL OTHER COMPREHENSIVE LOSS	(14,317)	(23,700)
TOTAL COMREHENSIVE INCOME	**109,123**	**99,831**

On behalf of the Management Board:

Chairman of the Management Board
V.D. Babaryka

2 March 2015
Minsk

Chief Accountant
T.M. Pivavar

2 March 2015
Minsk

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BELGAZPROMBANK

BALANCE SHEET AS AT 31 DECEMBER 2014
(in millions of Belarusian Rubles)

	Notes	31 December 2014	31 December 2013
ASSETS:			
Cash and cash equivalents	13, 29	4,279,752	2,564,375
Precious metals		5,831	10,889
Securities at fair value through profit or loss	14, 29	332,051	771,731
Derivative financial instruments, assets	15	1,472,821	1,720,402
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	16	124,933	408,252
Loans to customers	17, 29	12,424,489	10,737,476
Investments available for sale	18,29	2,245,220	754,263
Property, equipment and intangible assets	19	762,900	566,307
Non-current assets held for sale	20	38,666	18,957
Investment property	21	4,625	4,711
Other assets	22, 29	254,889	167,700
TOTAL ASSETS		**21,946,177**	**17,725,063**
LIABILITIES AND EQUITY			
LIABILITIES:			
Derivative financial instruments, liabilities	15	304	582
Loans from the National Bank of the Republic of Belarus		96,192	-
Due to banks and other financial institutions	23, 29	5,131,422	5,119,548
Customer accounts	24, 29	12,527,683	8,524,224
Debt securities issued	25	740,764	720,369
Current income tax liability		25,595	53,263
Deferred income tax liability	12	59,205	78,043
Other liabilities	26, 29	108,115	81,260
Total liabilities		18,689,280	14,577,289
EQUITY:			
Share capital	27	3,130,094	3,130,094
Investments available for sale revaluation reserve		(26,416)	(12,099)
Retained earnings		153,219	29,779
Total equity		3,256,897	3,147,774
TOTAL LIABILITIES AND EQUITY		**21,946,177**	**17,725,063**

On behalf of the Management Board:

Chairman of the Management Board
V.D. Babaryka

2 March 2015
Minsk

Chief Accountant
T.M. Pivavar

2 March 2015
Minsk

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BELGAZPROMBANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Belarusian Rubles)

	Notes	Share capital	Investments available for sale revaluation reserve	Retained earnings	Total equity
31 December 2012		**3,130,094**	**11,601**	**44,967**	**3,186,662**
Total comprehensive income/(loss) for the year		-	(23,700)	123,531	99,831
Dividends declared	27	-	-	(138,719)	(138,719)
31 December 2013		**3,130,094**	**(12,099)**	**29,779**	**3,147,774**
Total comprehensive income/(loss) for the year		-	(14,317)	123,440	109,123
31 December 2014		**3,130,094**	**(26,416)**	**153,219**	**3,256,897**

On behalf of the Management Board:

Chairman of the Management Board
V.D. Babaryka

2 March 2015
Minsk

Chief Accountant
T.M. Pivavar

2 March 2015
Minsk

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Belarusian Rubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax and loss on net monetary position		639,704	613,573
Adjustments for:			
Allowance for impairment losses on interest-bearing assets		177,970	128,305
Provision for other transactions		2,263	3,411
Net change in fair value of derivative financial instruments		(317,587)	(274,228)
Net change in fair value of precious metals		(2,247)	1,181
Net change in fair value of securities at fair value through profit or loss		13,155	5,196
Effect of assets recognition at non-market rate		1,823	3,105
Depreciation of property and equipment, intangible assets and investment property		69,474	52,554
Gain from sale of property, equipment and non-current assets held for sale		(3,554)	(6,018)
Accrual of payables to employees		5,834	7,068
Net change in accrued interest income and expense		(14,337)	(96,102)
Net change in accruals of commission and penalties		(17,235)	(6,302)
Loss on sale of investments available for sale		1,852	64
Foreign exchange differences, net		381,352	134,276
Cash flows from operating activities before changes in operating assets and liabilities		938,467	566,083
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of the Republic of Belarus		(5,231)	(31,456)
Due from banks and other financial institutions		253,729	123,293
Precious metals		6,096	4,646
Derivative financial instruments		339,321	(3,047)
Securities at fair value through profit or loss		(38,754)	(147,348)
Loans to customers		(2,272,785)	(3,059,184)
Other assets		(76,073)	(51,971)
Increase/(decrease) in operating liabilities:			
Loans from the National Bank of the Republic of Belarus		103,679	-
Due to banks and other financial institutions		144,747	1,113,237
Customer accounts		4,310,436	1,382,052
Other liabilities		22,896	(7,168)
Cash inflow/(outflow) from operating activities before taxation		3,726,528	(110,863)
Income tax paid		(164,637)	(79,476)
Net cash inflow/(outflow) from operating activities		3,561,891	(190,339)

BELGAZPROMBANK

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2014
(in millions of Belarusian Rubles)

	Notes	Year ended 31 December 2014	Year ended 31 December 2013
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(298,195)	(147,437)
Proceeds on sale of property, equipment and intangible assets		4,399	7,811
Proceeds on sale of non-current assets held for sale		4,725	24,783
Purchase of investments available for sale		(3,892,343)	(749,022)
Proceeds on disposal of investments available for sale		2,964,026	99,989
Net cash outflow from investing activities		(1,217,388)	(763,876)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from debt securities issued		117,579	514,715
Repayment of debt securities issued		(145,868)	(259,448)
Repayment of loans received from international financial institutions		(1,274,394)	(459,440)
Loans received from international financial institutions		1,203,554	1,349,988
Dividends paid		-	(138,719)
Net cash (outflow)/inflow from financing activities		(99,129)	1,007,096
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,245,374	52,881
Effect of changes in foreign exchange rates on cash and cash equivalents		96,709	89,210
Effect of inflation on cash and cash equivalents		(626,706)	(405,664)
CASH AND CASH EQUIVALENTS, beginning of the year	13	2,564,375	2,827,948
CASH AND CASH EQUIVALENTS, end of the year	13	4,279,752	2,564,375

Interest paid and received by the Bank during the year ended 31 December 2014 amounted to BYR 1,074,273 million and BYR 2,066,374 million, respectively.

Interest paid and received by the Bank during the year ended 31 December 2013 amounted to BYR 905,384 million and BYR 1,732,655 million, respectively.

During the years ended 31 December 2014 and 2013 the Bank received real estate (administrative and other non-residential facilities) through repossession of collateral pledged under the default loans in the amount of BYR 26,202 million and BYR 1,300 million respectively, which represents non-cash transactions.

On behalf of the Management Board:

Chairman of the Management Board
V.D. Babaryka

2 March 2015
Minsk

Chief Accountant
T.M. Pivavar

2 March 2015
Minsk

The notes on pages 9-61 form an integral part of these financial statements.

1. ORGANIZATION

Belorussian-Russian Belgazprombank Joint Stock (“Belgazprombank” or the “Bank”) initially named as “Bank Ekorazvitie” was established and registered with the National Bank of the Republic of Belarus (the “National Bank”) as an open joint stock company in 1990. In March 1994 the Bank was renamed into “Bank Olimp”. RAO “Gazprom” (Russian Federation) and CJSC “Gazprombank” (Russian Federation) acquired controlling interest of the Bank in 1996. The Bank was reorganized into an open joint stock company “Belgazprombank” in November 1997.

The Bank conducts its business under the license for performing banking operations # 8 issued by the National Bank on 24 May 2013. The Bank accepts deposits from the public, grants loans, transfers payments in the Republic of Belarus and abroad, exchanges currencies, carries out operations with securities and provides other banking services to its corporate customers and individuals.

The registered office of the Bank is located at 60/2 Pritytsky St., Minsk, 220121, Republic of Belarus.

As at 31 December 2014 and 2013 the structure of the Bank’s share capital was as follows:

Shareholders	Ownership
JSC “Gazprom” (the Russian Federation)	49.66
Gazprombank (Joint – stock Company) (the Russian Federation)	49.66
JSC “Gazprom transgaz Belarus” (the Republic of Belarus)	0.50
State Committee on Property of the Republic of Belarus	0.18
Other	less than 0.01
Total	**100.00**

These financial statements were authorized for issue by the Chairman of the Management Board of the Bank on 2 March 2015.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Other basis of presentation criteria

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue to operate for the foreseeable future. The management and shareholders have intention to develop further the business of the Bank in the Republic of Belarus. The Management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

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

These financial statements have been prepared on the historical cost basis adjusted for hyperinflation except for certain assets that are measured at revalued amounts or fair values, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

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

The Bank presents its balance sheet accounts broadly in order of liquidity. The analysis regarding recovery of financial assets or repayment of financial liabilities within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet date (non-current) is presented in Note 32.

Financial asset and financial liability are offset and the net amount is reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the income statement unless required or permitted by any accounting standard or corresponding interpretation, and is specifically disclosed in the accounting policies of the Bank.

The principal accounting policies are set out below.

Hyperinflationary accounting

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

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

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

Year	% change
2010	9.9%
2011	108.7%
2012	21.8%
2013	16.5%
2014	16.2%

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

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

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

Recognition of interest income and expense

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

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

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

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

Recognition of income on repurchase and reverse repurchase agreements

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

Recognition of revenue – other

Recognition of fee and commission income

Loan maintenance fees, together with the related direct costs, are recognized as an adjustment to the effective interest rate of the loan. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in profit or loss when the syndication has been completed. All other commissions are recognized as services are rendered.

Recognition of dividend income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

Recognition of lease income

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

Financial instruments

The Bank recognizes financial assets and liabilities in its balance sheet when it becomes a party to the contractual obligations of the financial instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting.

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

Financial assets

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

Cash and cash equivalents

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

Mandatory reserve deposit with the National Bank

Mandatory reserve deposit with the National Bank comprise mandatory reserve deposits with the National Bank which are not available to finance day to day operations of the Bank, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

Financial assets at fair value through profit or loss

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

A financial asset is classified as “held for trading” if:

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 30.

Derivative financial instruments

The Bank uses the following derivative financial instruments: foreign currency forwards, forward securities contracts with open and fixed delivery date and exchange of deposits in different currencies with the National Bank (swap). These instruments are used by the Bank to manage its exposure to foreign exchange rate and price risks.

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

Available-for-sale financial assets

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

Classified as available for sale shares and bonds that are not quoted in an active market are stated at fair value, as far as the management of the Bank considers that their fair value can be reliably measured. Fair value is determined in the manner described in Note 30. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments available for sale revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest rate method, and foreign exchange translation differences, which are recognized in profit or loss. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments available-for-sale revaluation reserve is reclassified to profit or loss in the period of disposal or impairment.

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

Available-for-sale equity investments that do not have a quoted market price and fair value of which cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

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

Repurchase and reverse repurchase agreements

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

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

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

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

The transfer of securities to counterparties is only presented on the balance sheet if the risks and rewards of ownership are also transferred.

Impairment of financial assets

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

For equity investments classified as available for sale both quoted and not quoted in an active market, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

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

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

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

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

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

In respect of available-for-sale equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under investments available for sale revaluation reserve.

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

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write-off of loans

Loans are written off against allowance for impairment losses when deemed uncollectible, including through repossession of collateral. Loans are written off after management has exercised all possibilities available to collect amounts due to the Bank.

Reclassification of financial assets

The Bank reclassified separate non-derivative financial assets held for sale (part of 'at fair value through profit or loss' category) into available-for-sale assets. Effective from 1 July 2009, the Bank was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the 'Held for trading' category into the 'Available-for-sale', 'Loans and receivables', or 'Held to maturity' categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the 'Available-for-sale' category and into the 'Loans and receivables' category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. Reclassification is performed at the election of management, and is determined on an instrument by instrument basis.

Derecognition of Financial Assets

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

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

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

Financial liabilities and equity instruments issued

Classification as debt or equity

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

Equity instruments

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

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

Financial liability

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

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

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

Derecognition of financial liabilities

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

Financial guarantee contracts

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

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

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

Rent

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

The Bank as the lessor

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

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Bank as lessee

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

Precious metals

Assets denominated in precious metals are recorded at the National Bank’s bid prices effective as at the reporting date (considering their nominal in grams) which approximate fair values being discounted using London Bullion Market rates. Changes in the National Bank bid prices are recognized in net gain/(loss) on operations with precious metals.

Property and equipment

Property and equipment are carried at historical cost restated for inflation less accumulated depreciation and any recognized impairment loss.

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

	Average annual depreciation rate
Buildings and premises	2%
Computer equipment, furniture and other equipment	15%
Motor vehicles	14%

Properties under construction for production or administrative purposes are carried at cost restated for inflation, less any recognized impairment loss. Cost of construction includes professional fees. Such properties are classified to the appropriate categories of property and equipment when completed or ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property of the Bank includes a separate category of corporate collection of the works of art which are not subject to depreciation because of their unique nature and significant estimated useful lives.

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at historical cost restated for inflation less accumulated amortization and accumulated impairment losses, if any. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. It is calculated on a straight-line basis at the following annual rates:

	Average annual amortization rate
Intangible assets	20%

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

Impairment of tangible and intangible assets

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment property is initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at cost restated for inflation net of accumulated depreciation and recognized impairment loss. Depreciation is calculated on a straight line basis over the useful life of the assets, which is 100 years.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax expense

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

Deferred tax

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax for the year

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

Operating taxes

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

Provisions

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

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

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

Commitments and contingencies

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

Functional currency

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

Foreign currency

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

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

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

Collateral

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

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. The Bank classifies assets received through repossession under default loan agreements into this category, unless the Bank is going to use the repossessed assets in its investing and operating activities.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

Impairment of loans and receivables

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

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

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

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

Measurement of derivative financial instruments fair value

Derivative financial instruments which represent foreign currency forwards and exchange of deposits in different currencies with the National Bank do not have an active market and are measured using interest rates parity model. Interest rates applied are the interest rates on financial instruments denominated in respective currency with respective maturity.

Derivative financial instruments represent forward contracts with securities with open or fixed delivery date are measured at fair value which is calculated as net result between fair value of the receivable and liability.

Depending on the type of a security fair value of the claim/obligation on its receipt/delivery is measured as fair value of the security determined by:

- The best available bid price and low ask that are identified by the stock exchange (bidding process organizer) or leading banks (market participants).

Fair value of the claim/obligation on cash receipt/delivery is the amount of the cash flow calculated based on the terms and conditions of the contract.

Measurement of fair value of available-for-sale financial assets

As described in Note 30, the Bank uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 30 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Useful lives of property and equipment

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

4. NEW AND REVISED IFRS AND IFRIC

4.1. Application of new and revised IFRS and IFRIC

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

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

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

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

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

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

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

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

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

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

Amendments to IAS 39 – ***Novation of Derivatives and Continuation of Hedge Accounting*** Amendments allow not to discontinue hedge accounting in case of novation of derivative instruments in favour of the clearing contractor if certain criteria are met. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

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

IFRIC Interpretation 21 ***Levies*** This interpretation is applied to all payments set by the government except for income tax accounted for in compliance with IAS 12 and fines for breach of legislation. The said interpretation stipulates that liability to pay a levy is recognized only in case of the occurrence of an obligating event and contains guidelines on whether the liability should be recognized progressively over a certain period or in full as at a certain date.

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

No early adoption of other standards, amendments, and interpretations that have been issued but are not effective did occur.

4.2. New and revised IFRS in issue but not yet effective

The Bank did not apply the following new and revised IFRS in issue but not yet effective:

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

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

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

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

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

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

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

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

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

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

The management of the Bank anticipates that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Bank's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

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

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

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

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Bank uses straight-line method for depreciation and amortization of its property, equipment and intangible assets, respectively. The management of the Bank does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements.

Amendments to IFRS 16 and IAS 41 *Agriculture: Bearer Plants* The amendments to IAS 16 and IAS 41 define a bearer plant and require biological assets that meet the definition of a bearer plant to be accounted for as a property, plant and equipment in accordance with IAS 16, instead of IAS 41. The management of the Bank does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements.

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

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

The amendments apply prospectively to transactions occurring in annual periods beginning on or after 1 January 2016 with early application permitted. The management of the Bank does not anticipate that the application of these amendments will have a material impact on the Bank's financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. NET INTEREST INCOME

Net interest income comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Interest income:		
Interest income on financial assets recorded at amortized cost:		
Interest income on impaired assets	1,878,520	1,644,375
Interest income on unimpaired assets	43,754	84,123
Interest income on assets at fair value	171,447	117,691
Total interest income	**2,093,721**	**1,846,189**
Interest income on financial instruments recorded at amortized cost:		
Interest on loans to customers	1,878,520	1,644,374
Interest on due from banks and other financial institutions	35,396	79,045
Other interest income	8,358	5,078
Total interest income on financial instruments recorded at amortized cost	1,922,274	1,728,497
Interest income on financial instruments at fair value		
Interest on investments available for sale	121,456	63,864
Interest on securities at fair value through profit or loss	49,991	53,828
Total interest income on financial instruments at fair value	171,447	117,692
Interest expense:		
Interest expense on financial instruments recorded at amortized cost	1,087,282	922,814
Total interest expense	**1,087,282**	**922,814**
Interest on financial instruments recorded at amortized cost:		
Interest on customer accounts	717,047	649,240
Interest on deposits from banks and other financial institutions, on loans from the National Bank	300,507	215,135
Interest on debt securities issued	60,740	58,408
Other interest expense	8,988	31
Total interest expense on financial liabilities recorded at amortized cost	1,087,282	922,814
Net interest income before allowance for impairment losses on interest bearing assets	**1,006,439**	**923,375**

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	Loans to customers
31 December 2012	**253,493**
Provision	128,305
Write-off of assets	(17,397)
Effect of inflation	(46,320)
31 December 2013	**318,081**
Provision	177,970
Write-off of assets	(51,416)
Effect of inflation	(52,798)
31 December 2014	**391,837**

The movements in other provisions were as follows:

	Other assets	Guarantees and other contingencies	Total
31 December 2012	**2,430**	**13,692**	**16,122**
Provision	2,206	1,205	3,411
Effect of inflation	(1,085)	(2,353)	(3,438)
31 December 2013	**3,551**	**12,544**	**16,095**
Provision/(recovery of provision)	3,250	(987)	2,263
Effect of inflation	(686)	(2,151)	(2,837)
31 December 2014	**6,115**	**9,406**	**15,521**

Allowance for impairment losses on assets are deducted from corresponding assets (Note 22). Provisions for guarantees and other contingent liabilities are recorded in other liabilities (Note 26).

7. NET FOREIGN EXCHANGE LOSS

Net foreign exchange loss comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Trading operations, net	142,431	81,508
Foreign exchange differences, net	(381,352)	(134,276)
Total net foreign exchange loss	**(238,921)**	**(52,768)**

8. NET GAIN ON OPERATIONS WITH FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on operations with financial instruments at fair value through profit or loss comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Net gain on derivative financial instruments	492,024	229,229
Net (loss)/gain on securities at fair value through profit or loss	(1,470)	6,135
Total gain on operations with financial instruments at fair value through profit or loss	**490,554**	**235,364**

9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2014	Year ended 31 December 2013
Fee and commission income:		
Settlement and cash operations with clients	180,850	172,380
Plastic cards transactions	130,714	87,596
Foreign exchange operations	69,429	65,540
Documentary operations	21,340	17,221
Settlements with banks	160	125
Other	5,207	1,192
Total fee and commission income	**407,700**	**344,054**
Fee and commission expense:		
Bank payment card operations	43,284	38,743
Legal support of banking operations	16,206	10,219
Maintenance of bank accounts	6,652	7,780
Foreign exchange operations	5,660	4,748
Payments accepted for the bank	3,758	3,883
Documentary operations	3,719	4,528
Operations with securities	1,790	2,249
Other	2,152	2,828
Total fee and commission expense	**83,221**	**74,978**

10. OTHER INCOME

Other income comprises:

	Year ended 31 December 2014	Year ended 31 December 2013
Fines and penalties	25,204	13,366
Gain from sale of property, equipment and non-current assets held for sale	3,554	6,018
Operating lease income	2,170	3,040
Net loss on investments available for sale	(1,852)	(64)
Other	7,333	3,582
Total other income	**36,409**	**25,942**

11. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2014	Year ended 31 December 2013
Staff costs	322,380	250,949
Obligatory social contributions	84,618	64,899
Depreciation and amortization expense	69,388	52,554
Contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	57,637	43,898
Expenses for services of automated interbank and international settlement system	47,799	34,904
Remuneration to the members of the Board of Directors and Revision Committee	31,734	25,431
Rent and property and equipment maintenance	31,316	29,982
Stationery and office expenses	24,049	25,961
Expenses on maintenance of banking software	21,752	13,453
Insurance expenses	21,344	21,502
Charity and sponsorship expenses	19,718	16,799
Advertising expenses	13,922	14,665
Taxes, other than income tax	13,849	7,784
Communication expenses	9,349	7,950
Security expenses	7,994	7,681
Information and consulting services	6,282	6,280
Vehicles maintenance and fuel expenses	5,671	5,109
Other	25,084	43,279
Total operating expense	**813,886**	**673,080**

12. INCOME TAX

The Bank measures and records its current income tax payable in accordance with the tax regulations of the Republic of Belarus where the Bank operates. These regulations may differ from IFRS.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes. Major sources of non-deductible expenses include non-deductible payments to employees, some insurance and charity payments. Major amounts of non-taxable income relate to operations with securities issued by the Belarusian government, companies and banks.

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2014 and 2013 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax book bases' differences for certain assets and liabilities.

Starting from 1 January 2015 income tax rate was increased to 25%, and the deferred tax amount as at 31 December 2014 was calculated at the rate of 25%.

Tax effect of temporary differences as at 31 December 2014 and 31 December 2013 comprises:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Derivative financial instruments	18,652	(199)
Other assets	5,523	(2,506)
Other liabilities	1,719	(5,165)
Debt securities issued	340	-
Non-current assets held for sale	229	192
Precious metals	(56)	395
Investment property	(775)	(523)
Due from banks and other financial institutions	(2,625)	(1,001)
Due to banks and other financial institutions	(3,563)	(1,352)
Provisions for guarantees, letters of credit and other off-balance sheet operations	(5,385)	3,579
Investments available for sale	(7,433)	(3,669)
Property, equipment and intangible assets	(23,349)	(5,337)
Loans to customers	(42,482)	(62,457)
Net deferred tax liabilities	**(59,205)**	**(78,043)**

A reconciliation of income tax expense and accounting profit for the years ended 31 December 2014 and 2013 is presented below:

	Year ended 31 December 2014	**Year ended 31 December 2013**
Profit before taxation	247,411	218,445
	18.00%	18.00%
Tax at the stated tax rate	44,534	39,320
Tax effect of permanent differences:		
Tax effect of non-taxable income and other deductions	(41,917)	(28,577)
Tax effect of non-deductible expenses	14,707	14,378
Tax effect of the inflation of equity components on profit	78,879	78,119
Tax effect of change in income tax rates	16,577	-
Tax effect of change in tax base of property and equipment due to revaluation performed for tax purposes	-	(10 352)
Tax effect of other permanent differences	11,191	2,026
Income tax expense	**123,971**	**94,914**
Current income tax expense	142,809	117,421
Deferred income tax benefit recognized in income statement	(18,838)	(22,507)
Income tax expense	**123,971**	**94,914**

Deferred tax liability	**Year ended 31 December 2014**	**Year ended 31 December 2013**
As at 1 January – Deferred income tax liability	**78,043**	**100,550**
Change in deferred income tax recognized in profit or loss	(18,838)	(22,507)
As at 31 December – Deferred income tax liability	**59,205**	**78,043**

13. CASH AND CASH EQUIVALENTS

	31 December 2014	31 December 2013
Correspondent accounts with the National Bank	2,399,078	1,190,309
Cash	548,725	428,584
Deposits with banks and other financial institutions with original maturity within 90 days	536,250	223,853
Correspondent accounts and demand deposits	503,017	473,701
Settlements with the Belarusian Currency Stock Exchange	292,682	247,928
Total cash and cash equivalents	**4,279,752**	**2,564,375**

14. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Securities at fair value through profit or loss comprise the following trading securities:

	Interest to nominal	31 December 2014	31 December 2013
Bonds:			
Eurobonds of the Republic of Belarus	8.75%-8.95%	332,051	566,623
Eurobonds issued by Eurasian Development Bank (EDB)	4.77%	-	151,694
Eurobonds issued by Serbia	4.88%	-	53,414
Total securities at fair value through profit or loss		**332,051**	**771,731**

In accordance with the Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (paragraph 50B) and IFRS 7 *Financial instruments: Disclosures* dated 28 October 2008 the Bank decided to reclassify the eurobonds issued by residents of the Russian Federation from assets at fair value through profit or loss to the investments available for sale on 20 December 2014.

The reclassification was performed due to the factors set forth below, which were classified by the Bank as rare (unusual) events that are unlikely to reoccur in the foreseeable future.

In the second half of 2014 the state of the Russian economy significantly deteriorated affected by escalation of the conflict in Ukraine and imposition of sanctions on a number of residents of the Russian Federation, as well as by reduction of oil prices by two times.

The increasing internal economic problems in combination with limited access to external loan market led to significant outflow of foreign investments from the country, devaluation of Russian Ruble, reduction of foreign exchange reserves and caused inflation processes and drop in GDP.

The existing economic situation had a significant negative impact on the stability of the banking sector: increase in credit risk and doubtful debts, drop in profitability, formation of the need for additional provisioning for loan losses and for additional capitalization (including system-important banks).

The specified trends gave rise to decrease in the sovereign ratings of the Russian Federation and a number of residents by the largest international rating agencies, which in combination with other factors significantly affected the evaluation of the financial state of both Russian banks and the Russian Federation on the whole.

The Bank qualified the assets covered by the specified amendments as assets in respect of which the intention for resale in near future was definitely changed and classified them as available for sale. The Bank evaluated whether there was an active market for each security that qualified for possible reclassification. On the basis of this evaluation the securities were reclassified into "investments available for sale" category from the date when the market for the specified securities started demonstrating certain signs of inactivity. All securities were reclassified between the categories at their fair value effective as at the reclassification date. The fair value was estimated on the basis of various measurement models including mathematic models.

The information on the reclassification carried out and about the value of the financial assets as at the reclassification date is specified below:

	Fair value at reclassification date	31 December 2014	
		Carrying value	**Fair value**
Securities at fair value through profit or loss	(472,826)	-	-
Investments available for sale	472,826	512,971	512,971

The approaches to determination of the fair value of the reclassified investments available for sale and their analysis by fair value hierarchy are presented in Note 30.

Loss from changes in the fair value of the financial assets recognized in the income statement and the statement of comprehensive income for the year ended 31 December 2014 comprised BYR 7,821 million and BYR 2,426 million, respectively.

The information on the effective interest rate and discounted future cash inflows that the Bank anticipates to receive as at the date of reclassification of the securities by the issuers is disclosed below:

	Effective interest rate	**Discounted future cash flows**
Eurobonds issued by OJSC Rosselkhozbank	8.47%	48,430
Eurobonds issued by Public Joint Stock Company Promsvyazbank	11.77%	105,237
Eurobonds issued by Eurasian Development Bank (EDB)	4.84%	319,159
Total		**472,826**

15. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2014 derivative financial instruments comprised:

	Nominal amount (in units of purchased currency)	**Fair value**	
		Asset	**Liabilities**
Foreign currency forward contracts:			
USD/BYR	USD 62,000,000	536,762	-
EUR/BYR	EUR 12,000,000	120,680	-
EUR/USD	EUR 12,000,000	-	(304)
Total foreign currency forward contracts		**657,442**	**(304)**

	Nominal amount (in units of placed currency)	**Fair value**	
		Asset	**Liabilities**
Foreign currency swap contracts:			
EUR/BYR	EUR 45,965,183	436,851	-
USD/BYR	USD 81,455,741	378,528	-
Total foreign currency swap contracts		**815,379**	**-**

As at 31 December 2014 derivative financial instruments included foreign currency forward and swap contracts with the National Bank with the fair value of BYR 1,440,627 million (assets).

As at 31 December 2013 derivative financial instruments comprised:

	Nominal amount (in units of purchased currency)	Fair value	
		Asset	Liabilities
Foreign currency forward contracts:			
USD/BYR	USD 120,000,000	824,722	(42)
EUR/BYR	EUR 30,000,000	122,472	(159)
USD/RUB	USD 47,000,000	471	-
USD/EUR	USD 86,621,610	28	(333)
GBP/USD	GBP 250,000	-	(13)
Total foreign currency forward contracts		**947,693**	**(547)**

	Nominal amount (in units of placed currency)	Fair value	
		Asset	Liabilities
Foreign currency swap contracts:			
EUR/BYR	EUR 45,965,183	460,026	-
USD/BYR	USD 40,356,069	302,584	-
Total foreign currency swap contracts		**762,610**	**-**

	Contractual value of purchased securities	Fair value	
		Asset	Liabilities
Forward contracts for purchase of securities with open delivery date:			
Eurobonds of a Russian bank	USD 6,033,750	10,099	-
Total forward contracts on purchase of securities with open delivery date		**10,099**	**-**

	Contractual value of purchased securities	Fair value	
		Asset	Liabilities
Forward contracts on purchase of securities with fixed delivery date:			
Bonds issued by Republican governmental authorities	USD 20,084,421	-	(35)
Total forward contracts on purchase of securities with fixed delivery date		**-**	**(35)**

As at 31 December 2013 derivative financial instruments included foreign currency forward and swap contracts with the National Bank with the fair value of BYR 1,709,603 million.

16. DUE FROM THE NATIONAL BANK OF THE REPUBLIC OF BELARUS, BANKS AND OTHER FINANCIAL INSTITUTIONS

Due from the National Bank of the Republic of Belarus, banks and other financial institutions are represented as follows:

	31 December 2014	31 December 2013
Time deposits with original maturity over 90 days	-	279,479
Mandatory reserve deposit with the National Bank of the Republic of Belarus	96,755	106,765
Funds received as a collateral	28,178	22,008
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	**124,933**	**408,252**

17. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2014	31 December 2013
Originated loans	12,567,537	10,859,656
Net investments in finance lease	248,789	195,901
	12,816,326	11,055,557
Less allowance for impairment losses	(391,837)	(318,081)
Total loans to customers	**12,424,489**	**10,737,476**

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

The table below summarizes the information on the loans by type of the collateral, based on the carrying value of the assets rather than on the collateral fair value:

	31 December 2014	31 December 2013
Loans collateralized by real estate and rights thereon	5,021,076	3,055,163
Loans collateralized by inventories	1,575,470	1,675,568
Loans collateralized by guarantees of individuals	1,243,779	1,048,011
Loans collateralized by equipment and rights thereon	1,228,833	1,197,762
Loans collateralized by guarantees of legal entities	890,573	994,311
Loans collateralized by liens over receivables	533,588	1,044,551
Loans collateralized by cash or guarantee deposits	84,691	11,579
Loans collateralized by state guarantees	80,774	25,298
Loans collateralized by securities	56,088	1,629
Loans collateralized by other and mixed types of collateral	2,101,454	2,001,685
	12,816,326	11,055,557
Less allowance for impairment losses	(391,837)	(318,081)
Total loans to customers	**12,424,489**	**10,737,476**

	31 December 2014	31 December 2013
Analysis by sector:		
Trade	2,741,583	2,038,662
Retail portfolio	1,490,467	1,826,578
Chemistry and petrochemistry	1,031,031	1,050,858
Machinery construction	1,024,554	896,666
Investments in real estate	942,713	479,634
Food industry	846,901	454,550
Metallurgy industry	793,169	808,540
Transport	652,143	622,148
Other production	487,335	360,327
Construction	384,905	278,421
Financial and insurance services	258,354	267,445
Timber industry	207,050	137,038
Light industry	198,131	208,162
Agriculture	127,365	154,886
Gas transportation	98,687	-
Media business	82,752	72,132
Energetics	62,552	81,757
Oil industry	6,245	90,819
Other	1,380,389	1,226,934
	12,816,326	11,055,557
Less allowance for impairment losses	(391,837)	(318,081)
Total loans to customers	**12,424,489**	**10,737,476**

As at 31 December 2014 the Bank provided loans to five customers totaling BYR 2,031,422 million before allowance for impairment losses where exposure of each borrower individually exceeded 10% of the Bank's equity.

As at 31 December 2013 the Bank provided loans to four customers totaling BYR 1,706,300 million before allowance for impairment losses where exposure of each borrower individually exceeded 10% of the Bank's equity.

The majority of loans were granted to companies operating in the Republic of Belarus, representing significant geographical concentration in one region, which is characteristic for the whole Belarusian banking system.

Retail portfolio comprises the following products:

	31 December 2014	**31 December 2013**
Plastic cards	756,983	593,863
Delay consumer loans	296,957	765,232
Mortgage loans	258,476	273,024
Consumer loans	89,451	88,530
Car loans	84,831	102,215
Other	3,769	3,714
	1,490,467	1,826,578
Less allowance for impairment losses	(75,973)	(82,034)
Total loans to individuals	**1,414,494**	**1,744,544**

Delay consumer loans represent a program according to which individuals pay by installments for the consumer goods purchased in the chain of stores participating in the program.

Analysis of loans and allowances for impairment losses by class of loans and impairment assessment method as at 31 December 2014 and 2013 is presented in the following table:

		31 December 2014	
	Loans before allowance for impairment losses	**Allowance for impairment losses**	**Loans less allowance for impairment losses**
Loans determined to be impaired collectively	6,584,022	(148,087)	6,435,935
Loans determined to be impaired individually	6,232,304	(243,750)	5,988,554
Total loans to customers	**12,816,326**	**(391,837)**	**12,424,489**

		31 December 2013	
	Loans before allowance for impairment losses	**Allowance for impairment losses**	**Loans less allowance for impairment losses**
Loans determined to be impaired collectively	5,866,861	(122,669)	5,744,192
Loans determined to be impaired individually	5,188,696	(195,412)	4,993,284
Total loans to customers	**11,055,557**	**(318,081)**	**10,737,476**

As at 31 December 2014 and 31 December 2013 the Bank did not have any past due but not impaired financial assets.

The components of net investment in finance lease as at 31 December 2014 and 2013 are as follows:

	31 December 2014	31 December 2013
Less than one year	81,397	88,406
From one year to five years	166,891	126,299
More than 5 years	130,768	83,102
Minimum payments on financial lease	379,056	297,807
Less: unearned finance income	(130,267)	(101,906)
Net investments in finance lease	**248,789**	**195,901**
Current portion	47,899	59,072
Long-term portion	200,890	136,829
Net investments in finance lease	**248,789**	**195,901**

As at 31 December 2014 the cost of repossessed assets accounted for within property and equipment, non-current assets held for sale and investment property comprised BYR 1,903 million, BYR 38,666 million and BYR 4,625 million, respectively.

18. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	Interest to nominal	31 December 2014	Interest to nominal	31 December 2013
Long-term state bonds, in foreign currency	6.85%-7.5%	813,049	7.25%-7.5%	313,826
Eurobonds issued by Russian issuers	4.77%-10.2%	512,971	-	-
Short-term bonds issued by the National Bank of the Republic of Belarus, in foreign currency	6.26%	359,060	-	-
Long-term state bonds, in Belarusian rubles	20.0%-21.0%	311,233	-	-
Bonds issued by Belarusian banks, the Development Bank of the Republic of Belarus, in Belarusian rubles	20.0-22.0%	248,368	23.5-25.5%	273,959
Bonds issued by Development Bank of the Republic of Belarus, in foreign currency	-	-	5.8%	165,939
Other unquoted equity instruments	-	539	-	539
Total investments available for sale		**2,245,220**		**754,263**

Eurobonds issued by Russian issuers in the amount of BYR 512,971 million were reclassified from assets at fair value through profit and loss into investments available for sale (Note 14).

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets comprise:

	Buildings and premises	Computer equipment, furniture and other equipment	Vehicles	Corporate collection of the works of art	Investments into property, equipment and intangible assets	Intangible assets	Total
Initial cost, restated for hyperinflation effect							
31 December 2012	235,556	219,203	20,653	23,055	26,134	77,183	601,784
Additions	-	-	-	-	131,970	26,444	158,414
Transfers among categories	3,159	30,336	4,693	34,122	(81,390)	9,080	-
Disposals	(142)	(4,772)	(884)	-	(162)	(4,394)	(10,354)
31 December 2013	238,573	244,767	24,462	57,177	76,552	108,313	749,844
Additions	-	-	-	-	266,827	-	266,827
Transfers among categories	5,674	30,308	6,979	11,791	(79,405)	24,653	-
Disposals	(1,049)	(3,956)	(1,836)	-	-	(1)	(6,842)
31 December 2014	243,198	271,119	29,605	68,968	263,974	132,965	1,009,829
Accumulated depreciation, restated for hyperinflation effect							
31 December 2012	27,340	82,994	9,707	-	-	20,566	140,607
Charge for the period	4,749	27,801	3,123	-	-	16,881	52,554
Eliminated on disposal	(74)	(4,341)	(821)	-	-	(4,388)	(9,624)
31 December 2013	32,015	106,454	12,009	-	-	33,059	183,537
Charge for the period	4,830	31,029	3,487	-	-	30,042	69,388
Eliminated on disposal	(577)	(3,644)	(1,774)	-	-	(1)	(5,996)
31 December 2014	36,268	133,839	13,722	-	-	63,100	246,929
Net carrying value							
31 December 2014	**206,930**	**137,280**	**15,883**	**68,968**	**263,974**	**69,865**	**762,900**
31 December 2013	**206,558**	**138,313**	**12,453**	**57,177**	**76,552**	**75,254**	**566,307**

20. NON-CURRENT ASSETS HELD FOR SALE

As at 31 December 2014 and 31 December 2013 non-current assets held for sale included property (mainly real estate) that had been transferred to the Bank to repay debt on loans or received through repossession of collateral of BYR 38,666 million and BYR 18,957 million, respectively.

As at 31 December 2014 the management of the Bank intends to sell the property classified as non-current assets held for sale. The Bank plans to complete sale transactions within next 12 months.

21. INVESTMENT PROPERTY

As at 31 December 2014 investment property included two buildings with a total carrying amount of BYR 4,625 million which were reclassified from non-current assets held for sale and are currently leased out by the Bank under operating lease.

Movements in the investment property are disclosed below:

31 December 2012	
Property reclassified from non-current assets held for sale	4,711
31 December 2013	**4,711**
Additions	-
Depreciation charge	(86)
31 December 2014	**4,625**

As at 31 December 2014 and 2013 operating lease income comprised investment property rental income of BYR 944 million and BYR 782 million, respectively.

22. OTHER ASSETS

Other assets comprise:

	31 December 2014	31 December 2013
Other financial assets:		
Commission income and fines accrued	29,787	16,029
Settlements on plastic cards	13,119	8,493
Receivables reclaimable due to termination of joint venture agreement	11,065	-
Receivables for sale of non-current assets held for sale	-	361
Other debtors	18,561	8,233
Less allowance for impairment losses	(6,115)	(3,551)
Total other financial assets	**66,417**	**29,565**
Other non-financial assets:		
Prepayments for property, equipment and other assets	102,272	70,682
Taxes recoverable and prepaid other than income tax	48,332	21,975
Prepaid expenses and other non-financial assets	29,489	42,060
Materials in stock	8,379	3,418
Total other assets	**254,889**	**167,700**

Movements in allowance for impairment losses on other assets for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

23. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise:

	31 December 2014	31 December 2013
Loans from banks and non-banking financial institutions	2,870,173	2,808,580
Loans from European Bank for Reconstruction and Development (EBRD)	1,225,814	923,047
Correspondent and demand accounts of other banks	477,200	400,244
Loans from Eurasian Development Bank (EDB)	422,990	433,969
Loans from European Fund for Southeast Europe (EFSE)	135,245	553,708
Total due to banks and other financial institutions	**5,131,422**	**5,119,548**

As at 31 December 2014 due to banks and other financial institutions included loans from four banks totaling BYR 3,263,634 million, that individually exceeded 10% of the Bank's equity, which represents a significant concentration (64% from the total amount).

As at 31 December 2013 due to banks and other financial institutions included loans from six banks and non-banking financial institutions totaling BYR 3,657,484 million, that individually exceeded 10% of the Bank's equity, which represents a significant concentration (75% from the total amount).

24. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2014	31 December 2013
Term deposits	7,711,580	6,124,443
Current/settlement accounts and demand deposits	4,816,103	2,399,781
Total customer accounts	**12,527,683**	**8,524,224**

As at 31 December 2014 and 2013 customer accounts totaling BYR 4,886,600 million (39% of the total) and BYR 3,122,221 million (37% of the total) comprised the balances of accounts of four and five customers, respectively, which represented significant concentration.

As at 31 December 2014 and 31 December 2013 customer accounts of BYR 132,034 million and BYR 70,060 million, respectively, were held as collateral against letters of credit, guarantees and loans issued by the Bank.

	31 December 2014	31 December 2013
Analysis by sector:		
Individuals	5,049,446	3,985,719
Gas industry	4,023,454	1,283,640
Trade	930,884	841,300
Machinery construction	589,130	714,480
Construction	373,431	209,336
Financial and insurance services	294,747	458,701
Other production	277,398	87,169
Transport	122,704	114,745
Oil industry	114,172	129,670
Chemistry and petrochemistry	95,665	60,567
Food industry	60,397	114,038
Light industry	59,111	11,096
Metallurgy industry	45,842	9,167
Investments in real estate	44,821	106,556
Agriculture	34,112	21,645
Timber industry	29,946	24,653
Media business	19,186	10,193
Communications	5,104	3,016
Energetics	282	710
Other	357,851	337,823
Total customer accounts	**12,527,683**	**8,524,224**

25. DEBT SECURITIES ISSUED

Debt securities issued are represented by bonds held by individuals and legal entities.

	31 December 2014	31 December 2013
Bonds issued by the bank and held by legal entities	542,521	514,409
Bonds issued by the bank and held by individuals	198,243	205,960
Total debt securities issued	**740,764**	**720,369**

26. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2014	31 December 2013
Other financial liabilities:		
Compensation payable to employees	28,241	26,521
Provision for guarantees and other contingent liabilities	9,406	12,544
Settlements for property and equipment and other assets acquired	9,193	7,152
Settlements on other banking operations and accrued expenses	22,748	14,893
Total other financial liabilities	**69,588**	**61,110**
Other non-financial liabilities:		
Taxes payable other than income tax	21,891	4,053
Payables to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	15,077	11,907
Other non-financial liabilities	1,559	4,190
Total other liabilities	**108,115**	**81,260**

Movements in provision for guarantees and other contingent liabilities for the years ended 31 December 2014 and 2013 are disclosed in Note 6.

27. SHARE CAPITAL

As at 31 December 2014 and 2013 authorized, issued and fully paid capital of the Bank consisted of 1,252,008,799,649 ordinary shares and 260,044,863 preference shares all with par value of BYR 1 each (at historical cost).

All ordinary shares are ranked equally and carry one vote. Preference shares are non-voting. Preference shares are entitled to annual dividend, the amount of which is determinable by annual shareholders meetings, but which may not be less than 1% of par value.

During the year ended 31 December 2013 the Bank declared and paid BYR 138,719 million dividends on ordinary and preference shares. On the basis of the Bank's performance for 2013 the shareholders decided not to allocate profit to pay dividends.

The Bank’s retained earnings distributable to shareholders are limited to the amount of funds that are stated in the financial statements prepared according to the Belarusian accounting rules. As per these financial statements as at 31 December 2014 and 2013 the retained earnings comprised BYR 1,357,708 million and BYR 709,335 million, respectively (unaudited). Non-distributable funds comprise property and equipment revaluation fund and reserve fund created in compliance with Belarusian legislation to cover general banking risks including future losses, other unforeseen risks and contingent liabilities. In accordance with the legislation the reserve fund is created for the mentioned objectives in the amount of no less than 5% of the Bank’s share capital stated in the financial statements under Belarusian accounting rules.

28. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank uses 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 balance sheet.

The Bank’s maximum exposure to credit loss under contingent liabilities and credit commitments in the event of counterparty’s default where all counterclaims, collateral or security prove to be impaired, is represented by the contractual amounts of those instruments.

As at 31 December 2014 and 2013 the nominal or contract amounts of contingent liabilities and credit commitments were:

	31 December 2014	31 December 2013
Contingent liabilities and credit commitments		
Commitments on loans and unused credit lines, cancellable	1,299,823	1,926,793
Guarantees issued and similar contingencies	849,437	910,679
Letters of credit, not covered by cash	110,241	45,719
Letters of credit, covered by cash	31,969	31,721
Letters of credit for which the Bank is the applicant	22,720	-
Commitments to provide cash to banks	-	132,577
Total contingent liabilities and credit commitments	**2,314,190**	**3,047,489**

Legal proceedings – In the normal course of business, customers and counterparties can claim against the Bank. Management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. As at 31 December 2014 and 2013 the Bank had no material liabilities for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Other contingent liabilities – As at 31 December 2013 the Bank had contingent liabilities relating to guarantees issued as to settlements in MasterCard system in the amount of BYR 22,931 million. As at 31 December 2014 the Bank did not have such liabilities.

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

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

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

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

In accordance with the Decision of the EU Council on expanding the sectoral sanctions against the entities where the sanctioned individuals or legal entities own 50% or more, Belgazprombank does not represent an indirect sanctioned entity as far as the effective ownership interest of "Gazprombank" (Joint – stock Company) (hereinafter referred to as Bank GPB (JSC)) with the Bank comprises 49,673% at the moment (unaudited), i.e. is less than 50%. Bank GPB (JSC) does not have the governing number of votes when the Bank's Board of Directors makes decisions and the Bank does not do any business on behalf or in favor of Bank GPB (JSC). The Bank's open information policy is aimed at providing counterparties with additional information about the Bank's ownership structure which mitigates the risk of incorrect interpretation of the imposed sanctions by the Bank's counterparties. The fact that the Bank is not a sanctioned entity is specified in a release by Fitch Ratings agency dated 28 November 2014.

29. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Details of transactions between the Bank and related parties are disclosed below:

	31 December 2014		31 December 2013	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Cash and cash equivalents	**105,002**	**4,279,752**	**183,881**	**2,564,375**
- Shareholders	61,714		18,106	
- Entities under common control	43,288		165,775	
Securities at fair value through profit or loss	**-**	**332,051**	**151,694**	**771,731**
- Entities under common control	-		151,694	
Investments available for sale	**399,016**	**2,245,220**	**-**	**754,263**
- Entities under common control	399,016		-	
Loans to customers before allowance for impairment losses	**11,117**	**12,816,326**	**8,741**	**11,055,557**
- Entities under common control	472		-	
- Key management personnel	10,645		8,741	
Allowance for impairment losses	**(259)**	**(391,837)**	**(132)**	**(318,081)**
- Entities under common control	(5)		-	
- Key management personnel	(254)		(132)	
Other assets	**1,622**	**254,889**	**7**	**167,700**
- Entities under common control	1,569		7	
- Key management personnel	53			
Due to banks and other financial institutions	**1,982,446**	**5,131,422**	**2,590,655**	**5,119,548**
- Shareholders	1,241,829		1,428,051	
- Entities under common control	740,617		1,162,604	
Customer accounts	**5,034,555**	**12,527,683**	**2,636,220**	**8,524,224**
- Shareholders	112		336	
- Entities under common control	4,980,001		2,585,123	
- Key management personnel	54,442		50,761	
Other liabilities	**7,534**	**108,115**	**4,087**	**81,260**
- Shareholders	3,568		1,948	
- Entities under common control	1,496		-	
- Key management personnel	2,470		2,139	
Contingent liabilities and commitments	**29,405**	**2,314,190**	**151,857**	**3,047,489**
- Entities under common control	26,136		149,547	
- Key management personnel	3,269		2,310	

The following amounts which arose due to transactions with related parties are included in the income statement for the years ended 31 December 2014 and 2013:

	Year ended 31 December 2014		Year ended 31 December 2013	
	Related party transactions	**Total category as per financial statements caption**	**Transactions with related parties**	**Total category as per financial statements caption**
Interest income	**19,267**	**2,093,721**	**18,950**	**1,846,189**
- Shareholders	779		59	
- Entities under common control	16,655		16,995	
- Key management personnel	1,833		1,896	
Interest expense	**(307,400)**	**(1,087,282)**	**(272,650)**	**(922,814)**
- Shareholders	(76,735)		(51,589)	
- Entities under common control	(224,514)		(216,113)	
- Key management personnel	(6,151)		(4,948)	
(Provision)/recovery of allowance for impairment losses on interest bearing assets	**(154)**	**(177,970)**	**(14)**	**(128,305)**
- Entities under common control	(5)		2	
- Key management personnel	(149)		(16)	
Fee and commission income	**25,438**	**407,700**	**26,064**	**344,054**
- Shareholders	125		121	
- Entities under common control	25,313		25,943	
Fee and commission expense	**(3,209)**	**(83,221)**	**(1,346)**	**(74,978)**
- Shareholders	(152)		(469)	
- Entities under common control	(3,057)		(877)	
Other income	**947**	**36,409**	**782**	**25,942**
- Entities under common control	947		782	
Operating expenses	**(99,962)**	**(813,886)**	**(65,224)**	**(673,080)**
- Entities under common control	(16,490)		-	
- Key management personnel (remuneration)	(83,472)		(65,224)	

During the years ended 31 December 2014 and 2013 remuneration of key management personnel consisted of short-term employee benefits.

The ultimate controlling party of the Bank is JSC “Gazprom”, whose controlling interest is held by the Government of the Russian Federation.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS defines fair value as 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.

Fair value of the Bank's financial assets and financial liabilities measured at fair value on a recurring basis

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

Financial assets/ financial liabilities	Fair value as at 31 December 2014	31 December 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial instruments (assets) (Note 15)	1,472,821	1,710,303	Level 2	Discounted cash flows. Future cash flows are estimated based on interest rate parity model. Interest rates applied are the sovereign risk rates on financial instruments denominated in respective currency with respective maturity.	Not applicable	Not applicable
Derivative financial instruments with securities (assets) (Note 15)	-	10,099	Level 2	Net result between fair value of claims on cash/securities receipt and obligations on securities/cash delivery. Fair value of the claim/obligation on securities is active market quoted bid price. Fair value of the claim/obligation on cash receipt/delivery is the amount of the cash flow calculated based on the terms and conditions of the contract.	Not applicable	Not applicable
Securities at fair value through profit or loss (Note 14)	332,051	771,731	Level 1	Active market quoted bid prices.	Not applicable	Not applicable
Securities reclassified into Investments available or sale (Notes 14 and 18)	512,971	-	Level 3	Discounted cash flows. The rates are determined as the average rates calculated on the basis of the yields in the market of financial instruments with similar terms, currencies and credit ratings assigned by international rating agencies.	The average yields for financial instruments with similar terms, currencies and credit ratings and varying from 4.84% to 11.77%.	The higher the yield, the lower fair value is.
Other investments available for sale, less equity investments (Note 18)	1,731,710	753,724	Level 2	Discounted cash flows. Interest rates applied are the rates on financial instruments with similar risk level denominated in respective currency with respective maturity.	Not applicable	Not applicable
Derivative financial instruments (liabilities) (Note 15)	304	547	Level 2	Discounted cash flows. Future cash flows are estimated based on interest rate parity model. Interest rates applied are the sovereign risk rates on financial instruments denominated in respective currency with respective maturity.	Not applicable	Not applicable
Derivative financial instruments with securities (liabilities) (Note 15)	-	35	Level 1	Net result between fair value of claims on cash/securities receipt and obligations on securities/cash delivery. Fair value of the claim/obligation on securities is active market quoted bid price. Fair value of the claim/obligation on cash receipt/delivery is the amount of the cash flow calculated based on the terms and conditions of the contract.	Not applicable	Not applicable

During the year ended 31 December 2014 the Bank reclassified the eurobonds issued by Russian issuers from Level 1 into Level 3 of the fair value hierarchy. The reclassification was caused by the absence of active market for the financial instruments such as sovereign eurobonds of the Russian Federation, eurobonds of Russian banks and entities, which resulted in the absence of objective benchmarks for fundamental valuation of the financial assets on the basis of the models that had been used earlier.

The reconciliation of Level 3 fair value measurements of financial assets is presented as follows:

	Securities available for sale
1 January 2014	-
Total gains/(losses):	
- in profit or loss	42,571
- in other comprehensive income	(2,426)
Reclassifications of securities from Level 1 (see Note 14)	472,826
31 December 2014	512,971

The following table presents an analysis of the interest rate sensitivity of the Bank's income to changes in the rates applied when evaluating securities of Level 3 at the year horizon. During the analysis we used the approaches applied by the Bank when evaluating the interest risk (Note 32).

	31 December 2014	
	Interest rate 1%	**Interest rate -1%**
Impact on other comprehensive income		
Investments available for sale	(24,478)	31,621
Impact on comprehensive income after taxation	**(18,358)**	**23,716**

Financial instruments for which fair value approximates carrying value

The following table contains the carrying amounts of the financial assets and financial liabilities of the Bank which approximate their fair value:

	31 December 2014		**31 December 2013**	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and cash equivalents	4,279,752	4,279,752	2,564,375	2,564,375
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	124,933	124,933	408,252	408,252
Loans to customers	12,424,489	12,424,489	10,737,476	10,737,476
Other financial assets	66,417	66,417	29,565	29,565
Loans from the National Bank of the Republic of Belarus	96,192	96,192	-	-
Due to banks and other financial institutions	5,131,422	5,131,422	5,119,548	5,119,548
Customer accounts	12,527,683	12,527,683	8,524,224	8,524,224
Debt securities issued	740,764	740,764	720,369	720,369
Other financial liabilities	69,588	69,588	61,110	61,110

For financial assets and liabilities carried at amortized cost and having a short-term maturity (less than 3 months), it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and current accounts without a maturity.

Due from the National Bank of the Republic of Belarus, banks and other financial institutions

The management believes that the fair value of term deposits with banks does not differ materially from the carrying value due to fact that all the deposits are placed at variable interest rates or fixed interest rates corresponding to the market rates.

Loans to customers

Loans to customers are granted at both variable and fixed rates. As there is no active secondary market in the Republic of Belarus for such loans and advances, there is no reliable market value available for this portfolio.

- Management believes that carrying value of loans with variable rates does not significantly differ from their fair values.
- The management revises the rates for loans with fixed interest rates to correspond to the current market situation. As a result interest income on the most of balances is charged at rates which approximate market ones. Due to this fact the fair value of loans with fixed rate does not materially differ from the carrying value.

Loans from the National Bank of the Republic of Belarus

The management believes that the fair value of the loan from the National Bank of the Republic of Belarus does not differ materially from the carrying value due to fact that the loan was attracted at a variable interest rate corresponding to the market conditions.

Due to banks and other financial institutions

Loans from banks and other financial institutions are received both at variable and fixed rates.

- Management believes that carrying value of loans with variable rates does not significantly differ from their fair values.
- Most of the loans with fixed rates have maturities up to one year. Due to this fact the fair value of loans with fixed rate does not materially differ from the carrying value.

Customer accounts

Customer deposits have both variable and fixed rates.

- The management believes that fair value of deposits with variable interest rates does not materially differ from their carrying value.
- The management revises the rates for deposits with fixed interest rates to correspond to the current market situation. As a result interest expense on the most of balances is charged at rates which approximate market ones. Due to this fact the fair value of deposits with fixed rates does not materially differ from their carrying value.

Debt securities issued

Debt securities are issued by the Bank at variable and fixed interest rates. In general rates on the debt financial instruments are in line with the market ones. The management believes that fair value of such instruments does not materially differ from their carrying value.

31. CAPITAL MANAGEMENT

The following table analyzes the Bank's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee (Basel II):

	31 December 2014	31 December 2013
Composition of regulatory capital:		
Tier 1 capital:		
Charter capital	3,130,094	3,130,094
Retained earnings	153,219	29,779
Total Tier 1 capital	**3,283,313**	**3,159,873**
Investments available for sale revaluation reserve	(26,416)	(12,099)
Total regulatory capital	**3,256,897**	**3,147,774**
Risk-weighted assets	**22,941,184**	**20,271,877**
Capital ratios:		
Tier 1 capital	14%	16%
Total equity	14%	16%

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total (10%) and Tier 1 capital (5%) to risk weighted assets.

The Bank manages its capital to ensure compliance with legislation requirements and ability to continue as a going concern while maximizing the return to shareholders through the optimization of the debt to equity ratio.

The Bank's management reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the Bank's own regulatory funds with quantified assessment of the risks it undertakes (risk-weighted assets). The management estimates the amount of capital required to achieve strategic objectives and the planned increase of assets, as well as optimal balance between profitability and capital adequacy, considering requirements of the shareholders, partners of the Bank and regulatory institutions. The Bank performs analysis of risk factors, that influence the Bank's capital, and optimizes these risks by means of a balanced funding policy.

32. RISK MANAGEMENT POLICIES

Risk management is fundamental to the Bank's business. The Bank manages risks in the course of the constant process of identification, evaluation and observation, by establishing risk limits and other internal control measures. The Bank is subject to credit risk, liquidity risk and market risk, which comprises risks associated with changes in interest rates, currency exchange rates, as well as stock prices. The Bank is also subject to operational risks.

Risk management structure

The Board of Directors carries general responsibility over risks identification and control. The Board of Directors ensures general organization of the risk management system, exclusion of the conflicts of interest and conditions to its occurrence in the risk management process. The Board of Directors approves the risk management system development strategy and the Risk Management Policies of the Bank, determines the maximum risk exposure in the form of risk appetite which is defined as an acceptable (safe) risk level for ensuring the financial reliability and long-term operation of the Bank on the basis of the strategy, nature, scope and complexity of the types of activity and the financial position. The Risk Committee of the Board of Directors bears responsibility for creating an effective risk management system of the Bank, ensuring the appropriate level of financial reliability and information security, ensuring compliance of the Bank's risk profile with the strategic characteristics of its activity. The Management Board organizes the Bank's risk management system and ensures that the Bank performs the objectives and goals set forth by the Board of Directors in the relevant sphere. The Management Board approves regulations on the management of certain risk types that are developed to implement the Strategy and in compliance with the Risk Management Policies sets forth the procedure and the frequency with which risk reports are provided to the governing bodies, collective bodies. The Management Board carries responsibility for the operating effectiveness of the risk management system, for the maintenance of adequate risk profile of the Bank. Committees implement the certain risk type management policy, set limits and restrictions for certain types of banking operations, financial instruments or operators, exercise control over prescribed risk levels and carry out activities aimed at minimizing negative risks impact on the Bank’s activities. Within the authority delegated by the Management Board, Credit Committees and Assets and Liabilities Management Committee make decisions on operations subject to risks.

Risk Management Department coordinates the risk management process, develops techniques to assess the level of credit, market, operational, liquidity risks, regularly assesses and monitors the specified risks and aggregated risk of the Bank, performs risk stress testing, carries out independent expert review of the credit transactions within the prescribed authority and prepares risk reports for the management of the Bank, shareholders and stakeholders of the Bank. Risk Management Department is independent from subordination to the risk-generating units (officers) of the Bank, which allows provision of complete and accurate information on risk profile of the Bank and to the management of the Bank.

Within the internal control system Internal Audit Department assesses whether methodology and procedures on risk management are fully and effectively implemented.

Departments of the Bank (individual officers) are responsible for risk identification for the lines of business, development and implementation of measures for minimization and control over risks related to their operation within the given authority.

As a part of risk management measures the Bank provides employees with powers of attorney which define authority levels that do not require approval of management bodies of the Bank.

Systems of risk evaluation and communication

The Bank’s risks are evaluated based on probabilistic quantitative methods establishing in monetary equivalent the maximum threshold of possible loss which will not be exceeded with a certain level of probability. The Bank also simulates the “stress scenarios” which will take place in case unlikely events occur.

Risk monitoring and control are mainly based on comparison of calculated indicators with the limits set by the Bank. The limits setting policy is based on the prudential ratios set by the National Bank. The main basis for limits setting is the maximum aggregate risk, which should not exceed the equity of the Bank.

The management bodies of the Bank make decisions aimed at optimization of risk levels and also set limits on maximum risk for particular activities. They also set maximum risk levels at which the activity bearing the risk is suspended and steps aimed at risk minimization and mitigation are taken. The Assets and Liabilities Management Committee sets limits for divisions of the Bank on certain active and passive operations, interest rate level associated with them, active operations with financial institutions, limits on operations with securities, industry limits of credit risk. Credit Committees approve maximum exposures towards borrowers and the terms for financing.

The Management Board distributes and approves maximum risk for various banking activities in accordance with strategic priorities and analysis of the existing trends in the Bank and their possible future changes submitted by Risk Management Department.

Regioanl ofiices must adhere to the principles of risk management accepted by the Bank. Control over compliance with the set limits is performed on an on-going basis. Such control is performed by the employees who effect banking transactions in an ordinary course of business, by the Internal Control and Audit Department in the course of audits, by Risk Management Department in the course of risk evaluation and monitoring, by the Reporting Department and during preparation of reports on prudential financial statements. External control is carried out by the Revision Commission of the Bank.

Information on all types of activities is examined and processed with the purpose of analysis, control and early risk identification. The information together with relevant commentary is submitted to the Board of Directors, Risk Committee of the Board of Directors, Management Board, shareholders of the Bank, committees of the Bank responsible for management of certain risks control, and to the managers of departments of the Bank. The reports contain information on the Bank's risk profile, risk appetite, the levels of aggregate risk and certain risk types, major factors influencing these levels, "value-at-risk" (VAR) and changes in risk level. The Management Board receives a detailed quarterly report on risks with the information necessary for risks evaluation and decision-making.

The system of risk reports implemented in the Bank enables access of all departments to the accurate information which is required for the management decisions.

Excessive risk concentration

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

In order to avoid excessive risk concentration the Bank's policies and procedures comprise guidelines and limits aimed at maintenance of diversified portfolios, including by the types of active operations, industries, the sources of their resources, by currency types.

Credit risk

Credit risk is the risk that the Bank will incur losses in case its clients or counterparties do not meet their contractual obligations. The Bank manages credit risk by setting maximum risk it is ready to accept for certain counterparties, geographical and industry risk concentration, as well as by monitoring compliance with the credit limits set.

Credit risk is managed in three directions: credit risk management over lending to corporate clients, credit risk management of the operations with retail customers, credit risk management over operations with financial institutions.

Levels of credit risk assumed are managed by the following procedures:

- Segregation of duties between authorised management bodies in decision-making process;
- Limits setting for operations with the purpose of credit risk minimization;
- Regular analysis of debtors' financial position and their ability to meet credit obligations;
- Requirement of collateral for credit operations in order to limit risk exposure;
- Constant monitoring of the level and status of the risks taken and preparation of appropriate risk reports to the Board of Directors, Risk Committee of the Board of Directors, Management Board, shareholders of the Bank and other stakeholders;
- Evaluating and ensuring capital adequacy necessary for coverage of risks taken by the Bank in the course of business;
- Regular internal control over adherence to the policies regulating operations, risks assessment and management carried out by the Internal Control and Audit Department.

Commitments to loan issuance represent unused portions of credit in the form of credit lines, guarantees and unsecured letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. In relation to credit risk associated with off-balance sheet financial instruments the Bank potentially carries loss which equals to total amount of unused credit lines. However the probable amount of loss is less than total amount of unused credit lines since in the majority of cases commitments on loans arise if the clients meet certain creditworthiness indicators. The Bank applies the same credit policy to contingent liabilities as it does to loans, which is based on the procedures of approval of loans granted, setting of risk limits and constant monitoring.

The Bank implemented credit risk escalation procedure for the purpose of early identification and control over credit risks.

The Bank assesses a credit risk on the basis of qualitative and quantitative characteristics of the risk. The qualitative assessment of credit risk by separate transactions is carried out while analyzing the financial statements and non-financial information on the customer (goodwill, competitive position, transparency of the ownership structure, etc.) in interconnection with the required transaction parameters both when credit experts prepare economic report on the possibility to carry out transactions and when the employees of Risk Management Department carry out independent expert review of the credit transaction risk assessment. The Bank carries out quarterly credit risk quantitative evaluation, which is based on the assessment of the probability of the events leading to risk and assessment of potential losses. The results of evaluation are submitted to the credit committees and are the basis for amendments of the credit policy.

Maximum credit risk exposure

For financial assets recognized on the balance sheet the maximum exposure to credit risk equals to a carrying value of those assets, net of allowance for impairment losses. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on, less provisions made for losses on these instruments.

The maximum amount of credit risk of the Bank may vary depending on individual risks of different assets and general market risks.

The following table presents the maximum exposure to credit risk on financial assets and contingent liabilities.

	31 December 2014 Maximum credit risk exposure	**31 December 2013 Maximum credit risk exposure**
Cash and cash equivalents (less cash on hand)	3,731,027	2,135,791
Securities at fair value through profit or loss	332,051	771,731
Derivative financial instruments	1,472,821	1,720,402
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	124,933	408,252
Loans to customers	12,424,489	10,737,476
Investments available for sale (less unquoted equity investments)	2,244,681	753,724
Other financial assets	66,417	29,565
Guarantees issued and similar contingencies	692,442	748,928
Commitments to provide cash to banks	-	132,577
Letters of credit not covered by cash	109,467	45,424
Total	**21,198,328**	**17,483,870**

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA.

The sovereign credit rating in foreign currency of the Republic of Belarus according to the international rating agency Standard & Poor’s in 2014 and 2013 corresponded to level B-.

The following table presents Bank's financial assets by counterparties' credit ratings given by internationally regarded agencies (for government bodies – by country sovereign credit ratings):

	A	BBB	BB	Below BB	Not rated	31 December 2014 Total
Cash and cash equivalents (less cash)	155,413	62,037	275,676	3,189,566	48,335	3,731,027
Securities at fair value through profit or loss	-	-	-	332,051	-	332,051
Derivative financial instruments, assets	-	-	-	1,472,821	-	1,472,821
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	28,178	-	-	96,755	-	124,933
Loans to customers	-	-	-	-	12,424,489	12,424,489
Investments available for sale (less unquoted equity investments)	-	346,355	166,616	1,731,710	-	2,244,681
Other financial assets	38	-	-	-	66,379	66,417
Total financial assets	**183,629**	**408,392**	**442,292**	**6,822,903**	**12,539,203**	**20,396,419**

	A	BBB	BB	Below BB	Not rated	31 December 2013 Total
Cash and cash equivalents (less cash)	79,042	111,729	25,359	1,880,169	39,492	2,135,791
Securities at fair value through profit or loss	-	151,694	-	620,037	-	771,731
Derivative financial instruments, assets	-	-	10,099	1,710,303	-	1,720,402
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	3,337	-	19,102	275,332	110,481	408,252
Loans to customers	-	-	-	-	10,737,476	10,737,476
Investments available for sale (less unquoted equity investments)	-	-	-	753,724	-	753,724
Other financial assets	-	-	-	-	29,565	29,565
Total financial assets	**82,379**	**263,423**	**54,560**	**5,239,565**	**10,917,014**	**16,556,941**

The banking industry is generally exposed to credit risk through its financial instruments and contingent liabilities. Credit risk exposure of the Bank is concentrated within the Republic of Belarus. The exposure to the credit risk is monitored on a regular basis to ensure the compliance of credit limits and creditworthiness according to the Bank's risk management policy.

The carrying value of impaired loans to customers is disclosed in Note 17. As at 31 December 2014 and 2013 other financial assets comprised impaired assets in the amount of BYR 6,311 million and BYR 5,743 million, respectively. As at 31 December 2014 and 2013 the Bank had no past due but not impaired financial assets.

Collateral

A major portion of loans is either collateralized or secured with guarantees from institutions or individuals. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are regularly updated regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are presented in Note 17.

Monitoring of the market value of collateral is performed on a regular basis, its results are reported to the management of the Bank. If necessary, borrowers are requested to provide additional collateral in accordance with the underlying agreement.

Geographical concentration

The Bank regularly controls the risk associated with changes in legislation of countries, where the Bank's counterparties reside, and assesses its impact on the activities of the Bank. This approach is aimed at minimization of possible losses from investment climate changes in the respective countries. The Assets and Liabilities Management Committee manages country risks of the Bank.

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

	Belarus	CIS countries	OECD countries	Other countries	31 December 2014 Total
FINANCIAL ASSETS					
Cash and cash equivalents	3,449,838	655,790	159,012	15,112	4,279,752
Securities at fair value through profit or loss	332,051	-	-	-	332,051
Derivative financial instruments	1,472,821	-	-	-	1,472,821
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	96,755	-	28,178	-	124,933
Loans to customers	12,424,274	149	-	66	12,424,489
Investments available for sale	1,731,969	512,971	280	-	2,245,220
Other assets	63,893	724	1,505	295	66,417
TOTAL FINANCIAL ASSETS	**19,571,601**	**1,169,634**	**188,975**	**15,473**	**20,945,683**
FINANCIAL LIABILITIES					
Derivative financial instruments	-	304	-	-	304
Loans from the National Bank of the Republic of Belarus	96,192	-	-	-	96,192
Due to banks and other financial institutions	42,116	1,854,637	2,764,862	469,807	5,131,422
Customer accounts	11,868,263	285,579	304,537	69,304	12,527,683
Debt securities issued	740,764	-	-	-	740,764
Other liabilities	61,583	5,610	2,138	257	69,588
TOTAL FINANCIAL LIABILITIES	**12,808,918**	**2,146,130**	**3,071,537**	**539,368**	**18,565,953**
OPEN POSITION	**6,762,683**	**(976,496)**	**(2,882,562)**	**(523,895)**	

	Belarus	CIS countries	OECD countries	Other countries	31 December 2013 Total
FINANCIAL ASSETS					
Cash and cash equivalents	2,224,041	48,204	289,012	3,118	2,564,375
Securities at fair value through profit or loss	566,623	151,694	-	53,414	771,731
Derivative financial instruments	1,709,804	10,598	-	-	1,720,402
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	385,814	19,102	3,336	-	408,252
Loans to customers	10,737,366	50	-	60	10,737,476
Investments available for sale	753,987	-	276	-	754,263
Other assets	26,971	88	1,393	1,113	29,565
TOTAL FINANCIAL ASSETS	**16,404,606**	**229,736**	**294,017**	**57,705**	**16,986,064**
FINANCIAL LIABILITIES					
Derivative financial instruments	236	346	-	-	582
Due to banks and other financial institutions	8,809	2,151,504	2,508,552	450,683	5,119,548
Customer accounts	7,936,446	78,844	442,267	66,667	8,524,224
Debt securities issued	720,369	-	-	-	720,369
Other liabilities	57,547	2,084	1,019	460	61,110
TOTAL FINANCIAL LIABILITIES	**8,723,407**	**2,232,778**	**2,951,838**	**517,810**	**14,425,833**
OPEN POSITION	**7,681,199**	**(2,003,042)**	**(2,657,821)**	**(460,105)**	

Liquidity Risk

Liquidity risk refers to the availability of sufficient funds to meet the Bank's obligations when they fall due in the normal course of business or unforeseen events.

A system of managing liquidity risks arranged in the Bank helps evaluate probability, causes and effects of changes in time structure of assets and liabilities, as well as take measures aimed at loss minimization and liquidity maintenance in the circumstances indicated. The Bank has developed and approved the authorization process and appointed officers responsible for certain stages of risk management.

The management manages assets and liabilities by taking into account liquidity, risk of simultaneous withdrawal and daily monitoring of future cash flows. The process comprises evaluation of expected cash flows, availability of high-quality collateral which may be used for obtaining additional funds if required. Short-term liquidity is managed by the Treasury of the Bank which carries out operations on the money market for the purpose of current liquidity maintenance and future cash flows optimization.

The Bank handles a diversified assets portfolio that can be realized in case of unforeseen termination of cash inflow. The Bank also concluded credit lines agreements which may be used to meet requirements in funds. Besides, in accordance with the legislation, the Bank has an obligatory reserve deposit with the National Bank.The amount of the deposit depends on the level of deposits attracted from clients.

The following tables present the analysis of liquidity and interest rate risks which discloses term to maturity of non-derivative financial liabilities, calculated for non-discounted cash flows on financial liabilities (principal and interest) at the earliest date when the Bank will be liable to redeem the liability. The amounts disclosed in these tables do not reconcile to the amounts recorded in the balance sheet as the presentation below includes maturity analysis of financial liabilities, that comprise total remaining contractual payments (including interest payments), which are not recognized in the balance sheet under the effective interest rate method.

	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**31 December 2014 Total**
FINANCIAL LIABILITIES						
Loans from the National Bank of the Republic of Belarus	1,581	3,110	107,577	-	-	112,268
Due to banks and other financial institutions	871,385	429,143	1,291,274	2,990,382	103,242	5,685,426
Customer accounts	4,371,874	974,202	3,445,174	2,074,501	2,143,248	13,008,999
Debt securities issued	50,045	1,613	481,068	207,112	-	739,838
Total interest bearing financial liabilities	**5,294,885**	**1,408,068**	**5,325,093**	**5,271,995**	**2,246,490**	**19,546,531**
Due to banks and other financial institutions	35,914	-	-	-	-	35,914
Customer accounts	1,596,966					1,596,966
Other financial liabilities	63,239	513	5,800	36	-	69,588
Guarantees issued and similar contingencies	692,442	-	-	-	-	692,442
Letters of credit, not covered by cash	65,953	1,840	37,724	26,670	-	132,187
TOTAL FINANCIAL LIABILITIES	**7,749,399**	**1,410,421**	**5,368,617**	**5,298,701**	**2,246,490**	**22,073,628**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	31 December 2013 Total
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	1,341,101	399,549	1,690,164	2,158,315	32,609	5,621,738
Customer accounts	2,476,801	1,347,000	1,125,105	2,167,315	2,049,294	9,165,515
Debt securities issued	27,096	3,160	505,693	249,253	-	785,202
Total interest bearing financial liabilities	**3,844,998**	**1,749,709**	**3,320,962**	**4,574,883**	**2,081,903**	**15,572,455**
Due to banks and other financial institutions	29,457	-	-	-	-	29,457
Customer accounts	1,057,692	-	-	-	-	1,057,692
Other financial liabilities	60,647	149	216	98	-	61,110
Guarantees issued and similar contingencies	748,928	-	-	-	-	748,928
Commitments to provide cash to banks	-	132,577	-	-	-	132,577
Letters of credit, not covered by cash	30,425	6	95	14,898	-	45,424
TOTAL FINANCIAL LIABILITIES	**5,772,147**	**1,882,441**	**3,321,273**	**4,589,879**	**2,081,903**	**17,647,643**

The following table presents an analysis of liquidity risk based on carrying values of financial assets and liabilities based on their expected maturity. Management estimates expected maturity of financial assets and liabilities based on historical data analysis, existence of an active market and other factors affecting the period of assets and liabilities realization/settlement.

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Past due	Maturity undefined	31 December 2014 Total
FINANCIAL ASSETS								
Cash and cash equivalents	864,873	-	-	-	-	-	-	864,873
Securities at fair value through profit or loss	332,051	-	-	-	-	-	-	332,051
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	-	-	-	-	24,599	24,599
Loans to customers	893,112	1,871,770	3,996,071	4,965,239	606,869	91,428	-	12,424,489
Investments available for sale	28,235	7,947	557,382	1,132,952	518,165	-	-	2,244,681
Total interest bearing financial assets	**2,118,271**	**1,879,717**	**4,553,453**	**6,098,191**	**1,125,034**	**91,428**	**24,599**	**15,890,693**
Cash and cash equivalents	3,414,879	-	-	-	-	-	-	3,414,879
Derivative financial instruments, assets	32,194	-	1,157,186	283,441	-	-	-	1,472,821
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	-	-	-	-	100,334	100,334
Investments available for sale	-	-	-	-	-	-	539	539
Other financial assets	17,686	92	-	858	-	-	47,781	66,417
TOTAL FINANCIAL ASSETS	**5,583,030**	**1,879,809**	**5,710,639**	**6,382,490**	**1,125,034**	**91,428**	**173,253**	**20,945,683**
FINANCIAL LIABILITIES								
Loans from the National Bank of the Republic of Belarus	-	-	96,192	-	-	-	-	96,192
Due to banks and other financial institutions	865,103	401,408	1,144,453	2,606,985	77,559	-	-	5,095,508
Customer accounts	3,345,322	853,642	3,074,020	1,056,066	1,660,314	-	941,353	10,930,717
Debt securities issued	50,045	1,588	482,052	207,079	-	-	-	740,764
Total interest bearing financial liabilities	**4,260,470**	**1,256,638**	**4,796,717**	**3,870,130**	**1,737,873**	**-**	**941,353**	**16,863,181**
Due to banks and other financial institutions	35,914	-	-	-	-	-	-	35,914
Customer accounts	1,216,791	-	-	-	-	-	380,175	1,596,966
Derivative financial instruments, liabilities	304	-	-	-	-	-	-	304
Other financial liabilities	63,239	513	5,800	36	-	-	-	69,588
TOTAL FINANCIAL LIABILITIES	**5,576,718**	**1,257,151**	**4,802,517**	**3,870,166**	**1,737,873**	**-**	**1,321,528**	**18,565,953**
Liquidity gap	6,312	622,658	908,122	2,512,324	(612,839)			
Interest sensitivity gap	(2,142,199)	623,079	(243,264)	2,228,061	(612,839)			
Cumulative interest sensitivity gap	(2,142,199)	(1,519,120)	(1,762,384)	465,677	(147,162)			
Cumulative interest sensitivity gap as a percentage of total financial assets	(10.2%)	(7.3%)	(8.4%)	2.2%	(0.7%)			

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Past due	Maturity undefined	31 December 2013 Total
FINANCIAL ASSETS								
Cash and cash equivalents	376,768	-	-	-	-	-	-	376,768
Securities at fair value through profit or loss	771,731	-	-	-	-	-	-	771,731
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	110,480	110,481	58,087	-	-	-	22,439	301,487
Loans to customers	511,341	1,785,523	3,773,362	3,918,440	563,354	185,456	-	10,737,476
Investments available for sale	5,616	170,364	-	442,936	134,808	-	-	753,724
Total interest bearing financial assets	**1,775,936**	**2,066,368**	**3,831,449**	**4,361,376**	**698,162**	**185,456**	**22,439**	**12,941,186**
Cash and cash equivalents	2,187,607	-	-	-	-	-	-	2,187,607
Derivative financial instruments, assets	500	-	355,225	1,354,578	-	-	10,099	1,720,402
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	-	-	-	-	106,765	106,765
Investments available for sale	-	-	-	-	-	-	539	539
Other financial assets	12,264	224	-	-	-	-	17,077	29,565
TOTAL FINANCIAL ASSETS	**3,976,307**	**2,066,592**	**4,186,674**	**5,715,954**	**698,162**	**185,456**	**156,919**	**16,986,064**
FINANCIAL LIABILITIES								
Due to banks and other financial institutions	1,292,181	391,747	1,585,039	1,795,993	25,131	-	-	5,090,091
Customer accounts	1,502,155	1,273,249	874,111	1,256,744	1,637,979	-	922,294	7,466,532
Debt securities issued	27,037	1,227	454,462	237,643	-	-	-	720,369
Total interest bearing financial liabilities	**2,821,373**	**1,666,223**	**2,913,612**	**3,290,380**	**1,663,110**	**-**	**922,294**	**13,276,992**
Due to banks and other financial institutions	29,457	-	-	-	-	-	-	29,457
Customer accounts	312,198	-	-	-	-	-	745,494	1,057,692
Derivative financial instruments, liabilities	547	35	-	-	-	-	-	582
Other financial liabilities	60,647	149	216	98	-	-	-	61,110
TOTAL FINANCIAL LIABILITIES	**3,224,222**	**1,666,407**	**2,913,828**	**3,290,478**	**1,663,110**	**-**	**1,667,788**	**14,425,833**
Liquidity gap	752,085	400,185	1,272,846	2,425,476	(964,948)			
Interest sensitivity gap	(1,045,437)	400,145	917,837	1,070,996	(964,948)			
Cumulative interest sensitivity gap	(1,045,437)	(645,292)	272,545	1,343,541	378,593			
Cumulative interest sensitivity gap as a percentage of total financial assets	(6.2%)	(3.8%)	1.6%	7.9%	2.2%			

For the following categories of financial assets and financial liabilities the expected periods differ from the contractual ones.

Securities at fair value through profit and loss – the expected period of sale of the securities at fair value through profit and loss reported as at 31 December 2014 and 2013 was determined by the management as less than 1 month as far as there is active market where these securities may be sold within a short period of time.

Customer accounts – the Bank's liquidity risk management includes estimation of core deposits, i.e. funds associated with stable customer deposits relationship, this amount is estimated using statistical methods based on historical data of fluctuations on customer accounts balances during 90 days before the reporting date.

The following table presents the contractual periods of repayment of the mentioned financial statement lines as at 31 December 2014 and 2013:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Past due	Maturity undefined	31 December 2014 Total
Securities at fair value through profit or loss, interest bearing		-	172,701	159,350	-	-	-	332,051
Customer accounts, interest bearing	4,286,675	853,642	3,074,020	1,056,066	1,660,314	-	-	10,930,717
Customer accounts, non-interest bearing	1,596,966	-	-	-	-	-	-	1,596,966
Liquidity gap, considering contractual maturity	(1,647,267)	622,658	1,080,823	2,671,674	(612,839)			

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Past due	Maturity undefined	31 December 2013 Total
Securities at fair value through profit or loss, interest bearing	-	-	-	566,623	205,108	-	-	771,731
Customer accounts, interest bearing	2,424,449	1,273,249	874,111	1,256,744	1,637,979	-	-	7,466,532
Customer accounts, non-interest bearing	1,057,692	-	-	-	-	-	-	1,057,692
Liquidity gap, considering contractual maturity	(1,687,433)	400,185	1,272,846	2,992,098	(759,840)			

The Bank expects that not all contingent or contractual liabilities will require settlement before maturity. The Management of the Bank believes that it will be able to sell its liquid assets to settle liabilities on customer accounts in case of demand for repayment before maturity. Beside that the Management of the Bank believes that if the financing from its counteragent banks decreases the Bank will get support from the shareholders by extending credit line limit to maintain liquidity.

Term deposits of individuals are included in customer accounts. Under the legislation of the Republic of Belarus the Bank is required to repay a deposit to individuals within five days since the receipt of the appropriate demand.

For the purpose of early identification and control over liquidity risk the Bank implemented liquidity risk escalation procedure and developed a plan for business continuity and restoration of its operations in case of a crisis situation (liquidity crisis).

Market risk

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

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

Market risk includes interest rate risk, currency risk, price risk.

The Bank is exposed to interest rate risk as the Bank borrows and places funds at both fixed and floating rates. The risk is managed by the Bank maintaining an appropriate mix of fixed and floating rate borrowings.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate and net interest income will change because of changes in interest rates. This risk arises due to cumulative misbalance of terms and rate types of the interest bearing assets and liabilities, as well as due to high sensitivity to changes in the interest rates on debt instruments acquired for the purpose of receiving revenues from their resale.

The interest rate risk management is performed by a collective body – Assets and Liabilities Management Committee.The Committee sets absolute limits for Bank's operating departments, within which they can operate, and ensures control over the risk of interest rate margin change by monitoring the gap between interest bearing assets and liabilities. The Bank monitors its current financial performance on continuing basis, estimates interest rate sensitivity and its effect on profit and equity.

The effect of interest rate changes on Bank's comprehensive income is evaluated based on the amounts of financial assets and liabilities with variable interest rates, as well as on amounts of assets carried at fair value with fixed interest rate as at reporting date. Additionally the calculation includes the effect of reinvestment of fixed-rate instruments at new market rates as they mature. The estimation follows from the assumption that the Bank's portfolio structure does not change and is based on "the reasonably possible changes in risk variables". The level of these changes is determined by the management and is reported to the key management personnel. The following table presents an interest rate sensitivity analysis on the Bank's comprehensive income at the year horizon. The analysis was based on the parallel shift of the yield curve including all assets and liabilities, the shift was estimated to be equal to 3 percentage points for all financial instruments disregarding of their nominal currency. In addition it was assumed that the change of all types of the interest rates took place at the beginning of the financial year and held constant throughout the reporting period. All other variables were held constant.

	31 December 2014		**31 December 2013**	
	Interest rate 3%	**Interest rate -3%**	**Interest rate 3%**	**Interest rate -3%**
Impact on profit before taxation				
Assets				
Cash and cash equivalents	24,875	(24,875)	10,825	(10,825)
Securities at fair value through profit or loss	(12,550)	12,550	(74,560)	74,560
Derivative financial instruments, assets	(27,958)	29,443	(85,000)	90,099
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	7,619	(7,619)
Loans to customers	316,884	(316,884)	266,987	(266,987)
Investments available for sale	18,223	(18,223)	11,838	(11,838)
Liabilities				
Loans from the National Bank of the Republic of Belarus	(2,767)	2,767	-	-
Due to banks and other financial institutions	(90,753)	90,753	(94,345)	94,345
Customer accounts	(180,006)	180,006	(116,783)	116,783
Debt securities issued	(5,457)	5,457	(1,119)	1,119
Impact on profit before taxation	40,491	(39,006)	(74,538)	79,637
Impact on other comprehensive income				
Investments available for sale	(112,111)	138,484	(19,300)	21,113
Impact on comprehensive income after taxation	**(81,743)**	**109,230**	**(80,421)**	**86,415**

Foreign Exchange Risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank's financial position and cash flows are exposed to foreign currency exchange rate fluctuations.

Asset and Liability Management Committee manages the currency risk by defining the open currency position on the basis of the estimated devaluation of the national currency and other macroeconomic indicators. The Treasury Department performs daily control over the open currency position of the Bank to ensure its compliance with the limits in accordance with the requirements of the National Bank set forth with account for certain assumptions.

The Bank performs quantitative assessment of the currency risk using Value-at-Risk model. The assessment results are regularly reported to the management and are used for management decisions.

The Bank's exposure to currency risk is as follows:

	BYR	USD 1USD= BYR 11,850.00	EUR 1EUR= BYR 14,380.00	RUB 1RUB= BYR 214.50	Other currencies	31 December 2014 Total
FINANCIAL ASSETS						
Cash and cash equivalents	2,208,768	774,290	565,067	730,348	1,279	4,279,752
Securities at fair value through profit or loss	-	332,051	-	-	-	332,051
Derivative financial instruments, assets	1,472,821	-	-	-	-	1,472,821
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	96,755	28,177	-	1	-	124,933
Loans to customers	2,694,844	6,433,483	2,694,349	601,813	-	12,424,489
Investments available for sale	560,140	1,685,080	-	-	-	2,245,220
Other financial assets	56,266	7,009	2,128	1,014	-	66,417
TOTAL FINANCIAL ASSETS	**7,089,594**	**9,260,090**	**3,261,544**	**1,333,176**	**1,279**	**20,945,683**
FINANCIAL LIABILITIES						
Derivative financial instruments, liabilities	304	-	-	-	-	304
Loans from the National Bank of the Republic of Belarus	96,192	-	-	-	-	96,192
Due to banks and other financial institutions	126,015	2,705,446	2,240,975	58,986	-	5,131,422
Customer accounts	3,266,438	5,973,524	2,022,556	1,264,994	171	12,527,683
Debt securities issued	-	716,720	24,044	-	-	740,764
Other financial liabilities	51,072	4,863	7,256	6,397	-	69,588
TOTAL FINANCIAL LIABILITIES	**3,540,021**	**9,400,553**	**4,294,831**	**1,330,377**	**171**	**18,565,953**
CURRENCY POSITION	**3,549,573**	**(140,463)**	**(1,033,287)**	**2,799**	**1,108**	

Derivative financial instruments and spot contracts with foreign currency

Fair value of derivative financial instruments with foreign currency is included in the presented currency analysis. The following table presents further analysis of currency risk on derivative financial instruments and spot contracts:

	BYR	USD 1USD= BYR 11,850.00	EUR 1EUR= BYR 14,380.00	RUB 1RUB= BYR 214.50	Other currencies	31 December 2014 Total
Claims on derivative financial instruments and spot contracts	-	1,699,951	1,006,099	-	-	2,706,050
Obligations on derivative financial instruments and spot contracts	(1,033,971)	(172,867)	-	-	-	(1,206,838)
NET DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT CONTRACTS POSITION	**(1,033,971)**	**1,527,084**	**1,006,099**	**-**	**-**	
TOTAL CURRENCY POSITION	**2,515,602**	**1,386,621**	**(27,188)**	**2,799**	**1,108**	

	BYR	USD 1USD= BYR 9,510.00	EUR 1EUR= BYR 13,080.00	RUB 1RUB= BYR 290.50	Other currencies	31 December 2013 Total
FINANCIAL ASSETS						
Cash and cash equivalents	1,658,630	326,115	426,644	147,957	5,029	2,564,375
Securities at fair value through profit or loss	-	771,731	-	-	-	771,731
Derivative financial instruments, assets	1,710,303	10,099	-	-	-	1,720,402
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	164,852	243,400	-	-	-	408,252
Loans to customers	2,571,924	4,870,871	2,485,814	808,867	-	10,737,476
Investments available for sale	274,499	479,764	-	-	-	754,263
Other financial assets	24,840	3,492	631	602	-	29,565
TOTAL FINANCIAL ASSETS	**6,405,048**	**6,705,472**	**2,913,089**	**957,426**	**5,029**	**16,986,064**
FINANCIAL LIABILITIES						
Derivative financial instruments, liabilities	547	35	-	-	-	582
Loans from the National Bank of the Republic of Belarus	-	-	-	-	-	-
Due to banks and other financial institutions	121,852	3,608,995	1,385,258	3,427	16	5,119,548
Customer accounts	2,300,583	4,224,329	1,565,394	427,805	6,113	8,524,224
Debt securities issued	-	684,390	35,979	-	-	720,369
Other financial liabilities	41,361	3,970	9,781	5,998	-	61,110
TOTAL FINANCIAL LIABILITIES	**2,464,343**	**8,521,719**	**2,996,412**	**437,230**	**6,129**	**14,425,833**
CURRENCY POSITION	**3,940,705**	**(1,816,247)**	**(83,323)**	**520,196**	**(1,100)**	

Derivative financial instruments and spot contracts with foreign currency

Fair value of derivative financial instruments with foreign currency is included in the currency analysis presented above. The following table presents further analysis of currency risk on derivative financial instruments and spot contracts:

	BYR	USD 1USD= BYR 9,510.00	EUR 1EUR= BYR 13,080.00	RUB 1RUB= BYR 290.50	Other currencies	31 December 2013 Total
Claims on derivative financial instruments and spot contracts	-	3,247,881	1,154,324	-	4,556	4,406,761
Obligations on derivative financial instruments and spot contracts	(1,254,182)	(4,569)	(957,311)	(519,576)	-	(2,735,638)
NET DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT CONTRACTS POSITION	**(1,254,182)**	**3,243,312**	**197,013**	**(519,576)**	**4,556**	
TOTAL CURRENCY POSITION	**2,686,523**	**1,427,065**	**113,690**	**620**	**3,456**	

Currency risk sensitivity

The following tables detail the Bank's sensitivity to an increase by 20% and decrease by 10% of USD, EUR and RUB against national currency as at 31 December 2014 and 2013. The mentioned currency exchange rates changes represent management's assessment of the possible change in foreign currency exchange rates, which is used when reporting foreign currency risk internally to key management personnel of the Bank. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for an anticipated value change in foreign currency rates.

	As at 31 December 2014		**As at 31 December 2013**	
	BYR/USD 20%	**BYR/USD -10%**	**BYR/USD 20%**	**BYR/USD -10%**
Impact on profit before taxation	266,696	(133,349)	257,246	(128,622)
Impact on comprehensive income after taxation	200,022	(100,012)	210,941	(105,470)

	As at 31 December 2014		**As at 31 December 2013**	
	BYR/EUR 20%	**BYR/EUR -10%**	**BYR/EUR 20%**	**BYR/EUR -10%**
Impact on profit before taxation	(19,905)	9,953	(3,222)	1,611
Impact on comprehensive income after taxation	(14,929)	7,465	(2,642)	1,321

	As at 31 December 2014		**As at 31 December 2013**	
	BYR/RUB 20%	**BYR/RUB -10%**	**BYR/RUB 20%**	**BYR/RUB -10%**
Impact on profit before taxation	560	(280)	285	(143)
Impact on comprehensive income after taxation	420	(210)	234	(117)

Limitations of sensitivity analysis

The above interest rate risk and currency risk sensitivity analysis demonstrate the effect of a change in a key assumption mentioned above, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analysis does not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets held at market value on the balance sheet may be affected significantly. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Operational risk

The Bank is subject to operational risk at all stages of its activity.Operational risk is the risk of loss arising from non-compliance of procedures specified by local regulations for banking operations and other transactions with legislation or breach thereof by employees, incompetence or human error, software and systems failure or external events.

To collect information on operational risk occurence events the Bank maintains a corresponding database. It reflects data on events of operational risk occurence and amounts of operational loss broken down by Bank activities, certain banking operations (processes), circumstances for occurrence and detection thereof.

The Bank performs assessment of operational risk to analyze operational risk condition and make correct management decisions.

Proactive methods of operational risk management in the Bank include maintaining of operational risks register and use of key operational risk indicators system. The Banks places special emphasis on ensuring business continuity and planning its operations in case of unexpected situations.

To increase the effectiveness of operational risk management the Bank developed and implemented operational risk escalation scenario.

Operational risk realization can result not only in financial losses, but can also damage Bank's reputation and negatively affect employees' performance efficiency. The Bank cannot expect to eliminate all operational risks, but it endeavours to expand the sphere of identified and manageable operational risk. This is implemented through internal control system development by setting limits and controls, risk insurance, process management system development and transfer of parts of risks to third parties. Internal control system implies efficient distribution of job responsibilities and authorized accesses to documents and other information, procedures for approval, comparative check and assessment in place, including internal audit, and development of personnel training system.

The Bank performs regular stress tests of operational risk to assess the resistance to realization of rare, but possible, catastrophe events. The stress test results are submitted to the Management for managerial decision-making.

33. SUBSEQUENT EVENTS

According to official statistics published by National Statistical Committee of the Republic of Belarus inflation level in the Republic of Belarus was 2.4% for the first month of 2015.

As at the date of approval of these financial statements the Belarusian ruble exchange rate weakened against the currency basket by 17.64% in comparison with 31 December 2014.

The devaluation carried out at the end of 2014 and in the beginning of 2015 was caused, to a large extent, by devaluation of the Russian currency and led to ruble liquidity deficit in the banking sector, which contributed to increase in the interest rates. At the same time the weakening of the national currency increased the competitiveness of exported Belarusian goods in the CIS markets.

In 2015 the monetary policy of the National Bank of the Republic of Belarus is primarily aimed at limiting inflation to facilitate sustainable and balanced development of the economy. The inflation target for 2015 was determined at the level of 18 per cent with acceptable deviation by 2 per cent. In 2015 the exchange rate policy will facilitate smoothing fluctuations of the Belarusian ruble exchange rate against the background of observed administrative restraining of import.

In January 2015 the Bank attracted long-term subordinated loans in Russian rubles equivalent to 150 million US dollars from its Russian shareholders – OJSC "Gazprom" and joint stock company "Gazprombank". Both shareholders provided equal portions of the cash designated for further development of the Bank.