JSC "Technobank"

Financial statements
for the year ended 31 December 2015

JSC "Technobank"
44 Kropotkina Str.
Minsk, 220002, Republic of Belarus
Tel.: +375 17 283 15 10
License to conduct banking activities # 11,
issued by the National Bank of the Republic of Belarus on 31 December 2013

CONTENTS

Translation from the original in Russian

Ref.No: 04-05/14/323

Auditor's Report on the Annual Financial Statements of Joint Stock Company "Technobank" for 2015

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

The Auditor
Name: Limited Liability Company "BDO"
(the abbreviated name - BDO, LLC)
Location: 220002 Belarus, Minsk, Pobediteley ave., 103, floor 8, room 7
Information about state registration: Certificate of state registration issued by the Minsk City Executive Committee dated 15.11.2013
Payer's Identification Number: 190241132

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

Translation from the original in Russian

Independent Auditor's Report

We have audited the accompanying financial statements of JSC "Technobank" (hereinafter - the "Bank") which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, cash flows and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 13 to 65.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Translation from the original in Russian

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC "Technobank" as at 31 December 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Alexandr Shkodin
Director
Managing Partner
BDO, LLC
Minsk, Republic of Belarus
27 May 2016

Statement of Management Responsibility

The Management of JSC "Technobank" is responsible for preparing the financial statements of the Bank. The financial statements on pages 7 to 65 represent fairly the financial position of the Bank as of 31 December 2015, the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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

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

The financial statements for the year ended 31 December 2015 were authorised for issue on 27 May 2016 and signed on behalf of the management of the Bank.

On behalf of the management of the Bank:

Chairman of the Board of Directors
D.L.Mikhalevich

Chief Accountant
N.A.Kuzmitskaya

Minsk,
27 May 2016

Statement of Financial Position

	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and Cash equivalents	6	930,144	413,043
Precious metals		4,994	3,668
Balances due from financial institutions	7	27,246	27,340
Loans to customers	8	1,341,780	1,047,488
Financial assets available for sale	9	424,779	164,127
Financial assets held to maturity	10	1,270	-
Financial assets at fair value through profit or loss	11	-	4,512
Investment property	12	100,487	55,839
Property, plant and equipment and intangible assets	13	145,905	241,752
Deferred income tax asset	30	12,114	-
Other assets	14	53,683	36,854
TOTAL ASSETS		3,042,402	1,994,623
LIABILITIES AND EQUITY			
Liabilities			
Balances due to financial institutions	15	441,943	45,940
Customer accounts	16	2,054,674	1,298,063
Debt securities issued	17	9,043	66,711
Preference shares	18	193	193
Current income tax liabilities		626	3,810
Deferred income tax liabilities	30	-	12,765
Other liabilities	19	30,983	23,063
Total liabilities		2,537,462	1,450,545
Equity			
Share capital	20	525,242	525,242
Treasury shares	20	(11)	-
Revaluation reserve of property, plant and equipment	13	-	62,431
Revaluation reserve of financial assets available for sale	9	1,246	(2,818)
Accumulated loss		(21,537)	(40,777)
Total equity		504,940	544,078
TOTAL LIABILITIES AND EQUITY		3,042,402	1,994,623

The accompanying notes on pages 13 to 65 form an integral part of these financial statements.

Chairman of the Board of Directors
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

Minsk,
27 May 2016

Statement of Comprehensive Income

	Notes	2015	2014
Interest income	21	324,534	192,618
Interest expense	22	(126,037)	(95,037)
Net interest income		**198,497**	**97,581**
Commission and fee income	23	112,865	118,808
Commission and fee expense	24	(23,553)	(18,701)
Net commission and fee income		**89,312**	**100,107**
Net gain on financial instruments	25	4,126	12,121
Net foreign exchange gain	26	115,477	63,051
Other operating income, net	28	42,528	20,204
Operating income		**449,940**	**293,064**
Net change in provisions on financial assets	7,8	(181,082)	(48,189)
Net change in provisions for impairment of other assets	14	(20,064)	-
Net change in provisions for loan commitments	31	1,236	9,611
Personnel expenses	27	(122,195)	(102,621)
Depreciation and amortization, impairment	12,13	(21,858)	(9,648)
Administrative expenses	29	(84,740)	(68,411)
Profit before income tax and loss on net monetary position		**21,237**	**73,806**
Income tax expense	30	(1,997)	(35,291)
Profit before loss on net monetary position		**19,240**	**38,515**
Loss on net monetary position due to inflation effect		-	(36,198)
Profit for the year		**19,240**	**2,317**
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
(Expense)/income from property, plant and equipment revaluation	13	(88,076)	6,827
Income tax relating to property, plant and equipment revaluation		25,645	(1,707)
Other comprehensive income that will not be reclassified to profit or loss less income tax		**(62,431)**	**5,120**
Items that are or may be reclassified to profit or loss:			
Gains/(losses) from revaluation of securities available for sale		1,661	(3,757)
Realised losses on securities available for sale reclassified to other comprehensive income		2,818	-

	Notes	2015	2014
Income tax relating to securities available for sale		(415)	939
Other comprehensive income that may be reclassified to profit or loss less income tax		4,064	(2,818)
Total comprehensive income / (loss) less income tax		(58,367)	2,302
Total comprehensive (loss) / income for the reporting year		(39,127)	4,619

The accompanying notes on pages 13 to 65 form an integral part of these financial statements.

Chairman of the Board of Directors
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

Minsk,
27 May 2016

Statement of Changes in Equity

	Share capital	Treasury shares	Property, plant and equipment revaluation reserve	Revaluation reserve of available-for-sale financial assets	Accumulated loss	Total equity
Balance as at 31 December 2013	**525,242**	**(8)**	**57,311**	**-**	**(43,094)**	**539,451**
Profit for the reporting period	-	-	-	-	2,317	2,317
Other comprehensive income for the reporting period	-	-	5,120	(2,818)	-	2,302
Total comprehensive income for the reporting period	**-**	**-**	**5,120**	**(2,818)**	**2,317**	**4,619**
Treasury shares sale	-	8	-	-	-	8
Balance as at 31 December 2014	**525,242**	**-**	**62,431**	**(2,818)**	**(40,777)**	**544,078**
Profit for the reporting period	-	-	-	-	19,240	19,240
Other comprehensive (loss) / income for the reporting period	-	-	(62,431)	4,064	-	(58,367)
Total comprehensive income for the year	**-**	**-**	**(62,431)**	**4,064**	**19,240**	**(39,127)**
Treasury shares repurchased	-	(11)	-	-	-	(11)
Balance as at 31 December 2015	**525,242**	**(11)**	**-**	**1,246**	**(21,537)**	**504,940**

The accompanying notes on pages 13 to 65 form an integral part of these financial statements.

Chairman of the Board of Directors
D.L. Mikhalevich

Chief Accountant
N.A.Kuzmitskaya

Minsk,
27 May 2016

Statement of Cash Flows

	Notes	2015	2014
Operating activities			
Profit before income tax and loss on net monetary position		19,240	73,806
(Profit) /loss on disposal of investment property, items of property, plant and equipment and intangible assets		(21,777)	1,807
Net change in income and expenses accrued		43,852	(57,279)
Provision for impairment of assets	7,8	201,146	48,189
Depreciation and amortization, impairment	12,13	21,858	9,648
Changes in accruals for unused vacation		1,453	636
Foreign exchange differences	26	(6,466)	(37,538)
Provision for loan commitments	32	(1,236)	(9,611)
Property received as debt repayment		(35,949)	(11,310)
Financial result from recognition of financial instruments at fair value		(1,058)	(4,377)
Increase in cash and cash equivalents from operating activities before changes in operating assets and liabilities		**221,063**	**13,971**
(Increase)/decrease in operating assets:			
Precious metals		(268)	(1,329)
Balances due from financial institutions		(19,513)	(7,934)
Loans to customers		(106,205)	(292,806)
Financial assets available for sale		(192,850)	(158,754)
Financial assets at fair value through profit or loss		(4,367)	-
Other assets		(10,879)	(10,973)
Increase/(decrease) in operating liabilities:			
Balances due to financial institutions		389,909	(3,951)
Customer accounts		242,366	396,075
Other liabilities		(11,852)	6,880
Net cash and cash equivalents from / (used in) operating activities before income tax		**507,404**	**(58,821)**
Income tax paid		(3,151)	(15,293)
Net cash and cash equivalents from / (used in) operating activities		**504,253**	**(74,114)**
Investing activities			
Financial assets held to maturity		(1,815)	-
Proceeds from sale of property and equipment		5,342	1,397
Purchase of property and equipment and intangible assets		(19,821)	(12,129)
Net cash and cash equivalents used in investing activities		**(16,294)**	**(10,732)**

	Notes	2015	2014
Financing activities			
Debt securities (settled) issued		(76,778)	25,104
Debt securities settled		-	(4,346)
Treasury shares (repurchased) / realized		(11)	8
Net cash and cash equivalents (used in) / from financing activities		**(76,789)**	**20,766**
Net increase / (decrease) in cash and cash equivalents		**411,170**	**(64,080)**
Effect of exchange differences on cash and cash equivalents		**105,931**	**29,641**
Effect of inflation on cash and cash equivalents		**-**	**(70,844)**
Cash and cash equivalents at the beginning of the year		**413,043**	**518,326**
Cash and cash equivalents at the end of the year	6	**930,144**	**413,043**

The accompanying notes on pages 13 to 65 form an integral part of these financial statements.

Chairman of the Board of Directors
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

Minsk,
27 May 2016

Notes to the financial statements

1. GENERAL INFORMATION

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

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

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

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

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

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

License № 02140/103 to conduct activities in communication was issued by the Ministry of communication and information of the Republic of Belarus and valid until 23 December 2025.

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

2. ECONOMIC ENVIRONMENT

The Bank operates primarily within the Republic of Belarus.

During the year 2015, the National Bank of the Republic of Belarus (hereinafter - the "NBRB" or the "National bank") continued to follow a policy of stabilizing the financial market. On 9 January 2015, it canceled the exchange fee for the purchase of foreign currency by legal entities and individuals and devalued the Belarusian ruble against major foreign currencies (by 16.1%, 12.9% and 3% against USD, Euro and Russian ruble, respectively, compared with the rates effective as of 31 December 2014). On 9 January 2015, the NBRB also raised the refinancing rate from 20% to 25%. To enhance the effectiveness of the refinancing rate as an instrument of the monetary policy, the NBRB has gradually decreased the rates for liquidity instruments from 50% to 30% starting from January 2015.

In February 2015, the Management Board of the NBRB decided to lower the rate of mandatory sale of foreign currency revenue flowing into the country to 40%, and in April 2015 it was lowered to 30%.

Starting June 2015, the National Bank changed the mechanism of foreign currency trading at the Belarussian Currency and Stock Exchange (BCSE), and trading is now performed under continuous double auction. Foreign currency may be purchased only by banks and non-bank credit and financial institutions which then sell currency directly to clients. The NBRB has also changed the policy on foreign currency exchange rates, according to which the process of exchange rate formation has become more flexible and sensitive to the market conditions.

In August 2015, the Belarusian ruble was further devalued (by 15%, 18.7% and 4% against USD, Euro and Russian ruble, respectively), which was mainly caused by the deterioration of external macroeconomic factors, such as decrease in oil prices, devaluation of the Russian ruble (currency of the main partner country), and significant demand of the population for foreign currency due to devaluation expectations.

Until the end of the year 2015, the negative internal and external factors continued to affect the economic conditions in the country. As of the year end, the overall devaluation of the national currency reached 56.7%, 41.2% and 19% against USD, Euro and Russian ruble, respectively.

The overall decline of GDP for the year 2015 reached 3.9% compared to growth of 1.7% in 2014. A significant decline has occurred in such industries as construction, manufacturing and mechanical engineering.

In 2015, Russia continued to provide financial support by granting government loans. In April 2015, the Government of the Russian Federation provided a loan to Belarus in Russian rubles in the amount equivalent to USD 110 million with 10-year maturity. The funds were used to repay interest on another loan provided by Russia in 2010. In July 2015, the Republic of Belarus received a long-term loan from the Government of the Russian Federation in the amount equivalent to USD 760 million with 10-year maturity, including the 4-year grace period. The funds were provided in Russian rubles at the rate of the Central Bank of the Russian Federation as of the date of signing of the agreement; however, the liabilities will be accounted for in dollars. Interest on loan will be calculated based on 6M LIBOR for dollar deposits increased by the margin calculated as the difference between the yields on Russian Eurobonds maturing in 7 years and the rate of 7-year swap in dollars. These funds will be used to service and repay the loans received earlier by the Government of the Republic of Belarus from Russia and the Eurasian Fund for Stabilization and Development.

On 31 March 2015, the Government of the Republic of Belarus fully paid off the IMF loan in the amount of USD 3.5 billion and initiated negotiations on a new technical assistance program in the amount of USD 3 billion.

The inflation processes were regulated by the NBRB and inflation reached 12% as of the year end (16.2% in 2014). As a result of the decrease in inflation in the last three years, IAS 29 has not been applied since 1 January 2015.

In April 2015, the Moody's agency decreased the sovereign rating of the Republic of Belarus from B3 to Caa1 ("negative"), based on the increased debt pressure and uncertainties regarding the external support of the Republic of Belarus.

Although in the opinion of the Bank management the adequate measures has been taken by them to sustain the dynamic development of business in the current economic conditions, unforeseen further deterioration in the areas described above could negatively affect the operational results and financial position of the Bank and its counterparties. Determining the degree of such an impact on the financial statements of the Bank is currently not possible.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of compliance

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

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

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

(b) Basis of measurement

The effect of inflation

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

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

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

Year	Index, %	Conversion rate
2006	106.6	528.8
2007	112.1	471.8
2008	113.3	416.4
2009	110.1	378.2
2010	109.9	344.1
2011	208.7	164.9
2012	121.8	135.4
2013	116.5	116.2
2014	116.2	100.0

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

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

Starting from January 1, 2015 the economy of the Republic of Belarus was considered hyperinflationary in connection with the performance of the criteria specified in IAS 29 "Financial Statements in Hyperinflationary Economies".

During the preparation of the financial statements for 2015 the Bank applied the amounts, expressed in measuring units, effective at the end of the previous reporting period, as the basis for determination of the book value in the financial statements of later reporting periods.

(c) Functional and presentation currency

The financial statements are presented in millions (unless otherwise stated) of Belarusian rubles, being the functional currency of the Bank. The financial statements are presented in millions of Belarusian rubles (hereinafter - "million BYR") unless otherwise stated.

(d) Use of judgements and estimates

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

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

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

(e) Changes in accounting policy

For the first time the Bank has applied several new standards and amendments to the current standards, effective for annual periods, beginning on or after 01.01.2015. The Bank has never applied standards, interpretations or amendments, before they were effective. The character and the influence of these changes are presented below. Although the new standards and amendments had been applied for the first time in 2015, they did not have any significant impact on the annual consolidated financial statements of the Bank. The character and the influence of each new standard/amendment are described below:

Amendments to IAS 19 "Defined benefit plans: employee contributions"

IAS 19 states that during the accounting of the defined benefit payment, a company shall take into consideration contributions from employees and other third persons. If contributions are linked to service rendition, they shall be attributed to periods of service as an adverse reward. The following amendments clarify that if the amount of contributions is independent of the amount of years of service, a company may recognize such contributions as the reduction of the cost of services in the period, in which the related service is rendered, instead of attributing such contributions to the period of service. This amendment cannot be applied to the Bank activity. The bank does not have defined benefit programs, stipulating contributions from employees and third persons.

"Annual improvements of IFRS, the period of 2010-2012"

The bank has applied the following amendments to the current financial statements for the first time:

IFRS 2 "Share-based payment"

This amendment shall be applied prospectively. It clarifies issues connected with the conditions of results achievement and the conditions of the period of service, which are considered to be the conditions of the authorization. The Bank did not provide any rewards during the reporting period. Thus, this amendment has had no influence on the financial statement and the accounting policy of the Bank.

IFRS 8 "Operating segments"

The amendments have retrospective application. They clarify that a company shall disclose information on the judgments of the management while applying the criteria of aggregation, described in paragraph 12 of the IFRS 8, including brief description of aggregated operating segments and economic characteristics (e.g.: sale and gross margin), used during the evaluation of the "similarity" of segments: the comparative check of the segment assets with total amount of assets, as well as the information on liabilities on the segment, shall be disclosed only if the comparative check is provided to the management, taking operational decisions. The bank did not apply the criteria of aggregation described in paragraph 12 of the IFRS 8.

IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that an asset can be revalued with regard to the observed data or by means of the adjustment of gross book value of an asset to the market value, or by means of market value determination, corresponding book value of an asset and proportional adjustment of gross book value in a way that the final book value and market value are equal. Moreover, it is described that accumulated amortization/depreciation is a difference between gross and book values of an asset. This amendment has not influenced the adjustments on revaluation, recognized during the reporting period by the Bank.

IAS 24 "Related Party Disclosure"

The amendment is applied retrospectively and clarifies that a managing company (a company which provides services of key management personnel) is a related party, in respect to which requirements on related party disclosure are applied. The company, using the services of a managing company, shall disclose information on expenses on managing company's services. This amendment is not applied to the Bank, as the Bank does not use services, provided by a managing company.

"Annual improvement of IFRS, the period of 2011-2013"

The bank has applied the following amendments to the current financial statements for the first time:

IFRS 13 "Fair value measurement"

The amendment is applied prospectively and clarifies that the exemption from IFRS13, which stipulates the possibility of fair value measurement on a portfolio level, can be applied not only to financial assets and liabilities, but to other agreement subject to IAS 39. The bank does not apply the exemption from IFRS 13, which stipulates the possibility of fair value measurement on a portfolio level.

4. USE OF ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Allowances on loans to customers

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

Allowance for impairment of financial assets in terms of individually impaired loans is based on the best estimates made by management of the Bank with respect to the present value of cash flows, which the Bank expects to receive. In evaluating cash flows, the management makes judgment on the financial position of the counterparty and the net realizable value of related collateral.

Allowance for impairment of collectively impaired loans is based on the available information concerning the measurable decrease in the estimated future cash flows of a group of loans. The Bank's estimates of losses are based on past performance results, behavior of counterparties in the past, creditworthiness of customers and general economic environment, which is not necessarily an indication of future losses.

When assessing credit risk and impairment allowances, the Bank applies the same estimates and judgments to loan commitments as to loans.

Fair value determination

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

(b) Critical accounting judgements

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

Evaluation of financial instruments

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

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

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

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

Determination of deferred tax assets

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

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency

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

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

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

(b) Income and expenses recognition

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

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

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

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

(c) Lease payments

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

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

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

(d) Income tax expense

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

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

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

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

(e) Financial assets and liabilities

Recognition

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

All financial assets and financial liabilities are initially recognized at fair value. Fair value is added by expenses that are directly attributable to the acquisition or issue, except for financial assets measured at fair value through profit or loss.

Classification

All financial instruments are classified into the following categories:

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

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

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

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

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

Derecognition

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

Amortised value measurement

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

Fair value measurement

Fair value is the amount that would be received upon sale of an asset or paid upon transfer of a liability in an ordinary transaction between market participants at the measurement date.

The Bank estimates the fair value of the instrument based on quoted market prices, if this information is available. The market is considered active if transactions are conducted on a regular basis between independent informed parties, and the corresponding price quotations are readily available and reflect market conditions.

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

The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date upon the transaction between independent parties.

Impairment

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

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

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

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

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

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

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, balances due from the National Bank of the Republic of Belarus less resources in statutory reserve fund, balances due from other financial institutions not restricted by contractual obligations, and loans to financial institutions with an original maturity of less than 3 months.

(g) Property, plant and equipment

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

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

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

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

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

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

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

	Annual depreciation rate
Buildings and constructions	1% - 11%
Computer facilities	20% - 75%
Motor vehicles	12.5% - 14.3%
Other property, plant and equipment	2%-75%

(h) Intangible assets

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

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

Intangible assets are represented by software.

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

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

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

(i) Investment property

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

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

(j) Precious metals

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

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

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

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

(l) Impairment of non-financial assets

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

The recoverable amount of an asset is the greater of its net selling cost and its 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.

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

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

(m) Provisions

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

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

(n) Short-term employee benefits

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

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

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

(o) Share capital

Ordinary shares

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

Preference shares

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

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

(p) Loan commitments

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

Loan commitments are initially recognised at fair value, which is usually an initial commission income received. At each reporting date loan commitments are measured at the higher of the two: unamortized initial cost and best estimate of costs relating to settlement of liability as at the reporting date.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Bank's financial assets, but no impact on the classification and measurement of the Bank's financial liabilities. The Bank expects a significant impact on its equity due to adoption of IFRS 9 impairment requirements, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, to determine the extent of the impact.

IFRS 15 Revenue from Contracts with Customers

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

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Bank is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements.

IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

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

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

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

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortization

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

Amendments to IAS 16 and IAS 41 - Agriculture: Bearer Plants

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

Amendments to IAS 27 - Equity Method in Separate Financial Statements

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

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

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognizes a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Amendments to IAS 1 - Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in ias 1.
- that specific line items in the statement(s) of profit or loss and oci and the statement of financial position may be disaggregated.
- that entities have flexibility as to the order in which they present the notes to financial statements.
- that the share of oci of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank.

Amendments to IFRS 10, IFRS 12 and IAS 28 - Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Bank, as the Bank has no subsidiaries.

Annual improvements of IFRS, the period of 2012-2014

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

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal

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

IFRS 7 Financial Instruments: Disclosures - Servicing Contracts

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

IFRS 7 Financial Instruments: Disclosures - Applicability of the Offsetting Disclosures to Condensed Interim Financial Statements

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

The amendment removes the phrase 'and interim periods within those annual periods', clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 19 Employee Benefits - Regional Market Issue Regarding Discount Rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 34 Interim Financial Reporting - Disclosure of Information 'Elsewhere in the Interim Financial Report

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

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts:

	31 December 2015	31 December 2014
Short-term balances due from financial institutions	520,066	79,311
Cash	266,279	149,501
Balances due from the National Bank of the Republic of Belarus (other than obligatory reserve deposit)	143,799	184,231
Total	**930,144**	**413,043**

As at 31 December 2015 cash and cash equivalents comprises balances placed with CJSC "MTBank" (Republic of Belarus), Belinvestbank JSC (Republic of Belarus), «DEUTSCHE BANK TRUST COMPANY» (USA), JSC "Belagroprombank" (Republic of Belarus), the amount of which exceeded 10% of the Bank's equity. The total amount as at 31 December 2015 equaled BYR 395,069 million.

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

7. BALANCES DUE FROM FINANCIAL INSTITUTIONS

Balances due from financial institutions include the following:

	31 December 2015	31 December 2014
Resources in the statutory reserve fund in the National Bank of the Republic of Belarus	13,690	14,258
Nostro accounts restricted	13,258	13,082
Nostro accounts	430	7
Total balances due from financial institutions	**27,378**	**27,347**
Less allowance for impairment loss	(132)	(7)
Total net balances due from financial institutions	**27,246**	**27,340**

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

a) Restricted balances with financial institutions (except for resources in Statutory reserve fund with the National Bank of the Republic of Belarus)

As at 31 December 2015 and 2014 the Bank had balance that was restricted for use in the amount of BYR 13,258 million and 13,082 million respectively. It was represented by the amounts pledged as a collateral for liabilities to make transactions with payment cards and other payments.

b) Concentration of placement with financial institutions

As at 31 December 2015 and 2014 the Bank had no balances exceeding 10% of the Bank's equity.

c) Movements in allowance for impairment:

	31 December 2015	31 December 2014
Allowance for impairment at the beginning of the year	7	29
Creation	142,930	55,502
Recovery	(142,767)	(54,817)
Exchange differences	(38)	(703)
Net monetary position result	-	(4)
Total allowance for impairment at the end of the year	**132**	**7**

8. LOANS TO CUSTOMERS

(a) by customer profile:

	31 December 2015	31 December 2014
Legal entities and individual entrepreneurs	1,505,119	1,092,271
Private individuals	51,095	37,450
Total loans to customers	**1,556,214**	**1,129,721**
Less allowance for impairment	(214,434)	(82,233)
Total net loans to customers	**1,341,780**	**1,047,488**

(b) by type of loan:

	31 December 2015	31 December 2014
Credit lines	1,052,202	766,823
Standard loans	376,100	262,770
Factoring	126,035	95,199
Net investments in finance lease	1,877	776
Overdraft	-	4,153
Total loans to customers	**1,556,214**	**1,129,721**
Less allowance for impairment	(214,434)	(82,233)
Total net loans to customers	**1,341,780**	**1,047,488**

(c) by industry:

	31 December 2015	31 December 2014
Trade	630,698	522,620
Real estate	469,615	245,470
Manufacturing industry	266,079	200,626
Transport	47,410	26,249
Construction	47,335	37,266
Agriculture and food industry	3,680	2,939
Other	40,302	57,101
Private individuals	51,095	37,450
Total net loans to customers	**1,556,214**	**1,129,721**

(d) by collateral:

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

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

(e) by overdue periods:

	31 December 2015		31 December 2014	
	Loans to customers	Allowance for impairment	Loans to customers	Allowance for impairment
Impaired loans				
Not due	1,495,268	(205,355)	1,100,176	(79,834)
Past due less than 30 days	51,018	(7,799)	4,589	(212)
Past due 31-90 days	5,891	(820)	2,466	(116)
Past due 91-180 days	4,037	(460)	21,311	(1,196)
Past due 181 - 366 days	-	-	1,179	(875)
Past due more than 1 year	-	-	-	-
Total	**1,556,214**	**(214,434)**	**1,129,721**	**(82,233)**

(f) credit quality of loan portfolio:

Loans impaired, 2015	Loans	Allowance for impairment	Loans less allowance
Individually impaired loans	177,117	(105,148)	71,969
Collectively impaired loans	1,379,097	(109,286)	1,269,811
Total	**1,556,214**	**(214,434)**	**1,341,780,**

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

(g) The movement in the allowance for impairment:

	31 December 2015	31 December 2014
Allowance for impairment at the beginning of the year	82,233	58,514
Creation	732,457	317,699
Recovery	(552,144)	(268,825)
Assets written-off	(64,051)	(19,138)
Exchange differences	15,939	2,149
Net monetary position result	-	(8,166)
Total allowance for impairment at the end of the year	**214,434**	**82,233**

(h) Changes in investments in finance lease:

	31 December 2015	31 December 2014
Gross investments in finance lease:		
Less than 1 year	33	164
1 to 5 years	-	373
Past due	1,846	363
Total gross investments in finance lease	**1,879**	**900**
Deferred income on finance lease	(2)	(124)
Net investments in finance lease	**1,877**	**776**

(i) Concentration of loans to customers

As at 31 December 2015 the Bank had had 4 borrowers, whose balances exceeded 10% of the Bank's equity: JV LLC "STL EXTRUSIA", LLC "Midivisana", LLC "Sviat", LLC "Univermag "Gomel". The gross value of these balances (less allowance for impairment) as at 31 December 2015 was BYR 277,296 million.

As at 31 December 2014 the Bank had 2 borrowers, whose balances exceeded 10% of the Bank's equity: JV "NTS" and LLC "Midivisana". The gross value of these balances (less alowance for impairment) as at 31 December 2014 was BYR 132,343 million.

9. FINANCIAL ASSETS AVAILABLE FOR SALE

	31 December 2015	31 December 2014
Quoted debt instruments	423,478	162,794
Unquoted equity instruments	1,301	1,333
Total financial assets available for sale	**424,779**	**164,127**

During 2015 the Bank conducted transactions with state bonds denominated in foreign currency, bonds of the National Bank of the Republic of Belarus, bonds of other banks of the Republic of Belarus.

As at 31 December 2015 quoted securities available for sale comprised the following positions:

The issuer of the security	Type of security	Fair value of investments
Ministry of finance of the Republic of Belarus	State bonds	112,427
National Bank of the Republic of Belarus	Bonds	108,016
JSC "BPS-Sberbank"	Bonds	88,992
JSC "Paritetbank"	Bonds	42,422
JSC "Development Bank of the Republic of Belarus"	Bonds	71,621
Total		**423,478**

As at 31 December 2014 quoted securities available for sale comprised the following positions:

The issuer of the security	Type of security	Fair value of investments
Ministry of finance of the Republic of Belarus	State bonds	87,292
CJSC "VTB Bank" (Belarus)	Bonds	32,448
JSC "BPS-Sberbank"	Bonds	23,260
JSC "Development Bank of the Republic of Belarus"	Bonds	19,794
Total		**162,794**

10. FINANCIAL ASSETS HELD TO MATURITY

	31 December 2015	31 December 2014
Bonds issued by commercial organizations	1,815	-
Less allowance for impairment	(545)	-
Total financial assets held to maturity	**1,270**	-

Financial assets held to maturity are represented by bonds of JV LLC "Tambaz" of 78 issue, series "OT-78".

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

During 2015 the Bank conducted transactions with financial instruments at fair value through profit or loss. These instruments were presented mainly by currency swaps, forwards and deposit exchange transactions with the National Bank of the Republic of Belarus.

As at 31 December 2015 the Bank had no derivative financial instruments (financial assets) at fair value through profit or loss.

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

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

12. INVESTMENT PROPERTY

The movement in the investment property for the years ended 31 December 2015 and 2014 are as follows:

	31 December 2015
Cost	
As at 31 December 2014	58,054
Additions in 2015	49,571
Disposals in 2015	(4,069)
As at 31 December 2015	**103,556**
Accumulated depreciation	
As at 31 December 2014	(2,215)
Accrued for 2015	(891)
Disposed for 2015	37
As at 31 December 2015	**(3,069)**
Residual value	
As at 31 December 2014	**55,839**
As at 31 December 2015	**100,487**

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

Investment property includes trade centre premises, parking places and other property acquired either through the possession of collateral over loans to customers that became non-collectible or through purchase, and subsequently is held by the Bank to earn rentals.

As at 31 December 2015 and 2014 the Management of the Bank estimated the fair value of the investment property in the amount of approximately BYR 98,197 million and BYR 65,737 million

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

The movement in property, plant and equipment and intangible assets of the Bank for the year ended 31 December 2015 was as follows:

	Buildings	Constructions	Vehicles	Computers and office facilities	Furniture and others	Capital investments	Intangible assets	Total
Cost								
As at 31 December 2014	219,946	19,268	5,237	21,156	39,820	2,105	7,998	315,530
Additions in 2015	283	1,432	735	3,655	3,679	11,742	-	21,526
Revaluation	(106,670)	-	-	-	-	-	-	(106,670)
Transfer between categories	1,615	45	-	74	33	(4,426)	2,659	-
Disposal in 2015	-	(56)	(197)	(897)	(141)	(8,667)	(121)	(10,079)
As at 31 December 2015	**115,174**	**20,689**	**5,775**	**23,988**	**43,391**	**754**	**10,536**	**220,307**
Accumulated depreciation/amortization								
As at 31 December 2014	(26,952)	(4,929)	(1,818)	(14,866)	(20,221)	-	(4,992)	(73,778)
Additions in 2015	(1,897)	(482)	(1,015)	(2,697)	(3,575)	-	(553)	(10,219)
Revaluation	7,846	-	-	-	-	-	-	7,846
Disposals in 2015	-	34	157	953	597	-	8	1,749
As at 31 December 2015	**(21,003)**	**(5,377)**	**(2,676)**	**(16,610)**	**(23,199)**	**-**	**(5,537)**	**(74,402)**
Residual value								
As at 31 December 2014	**192,994**	**14,339**	**3,419**	**6,290**	**19,599**	**2,105**	**3,006**	**241,752**
As at 31 December 2015	**94,171**	**15,312**	**3,099**	**7,378**	**20,192**	**754**	**4,999**	**145,905**

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

	Buildings	Constructions	Vehicles	Computers and office facilities	Furniture and others	Capital investments	Intangible assets	Total
Cost								
As at 31 December 2013	208,806	19,277	5,242	20,154	40,115	26	7,962	301,582
Additions in 2014	760	278	1,936	1,575	3,984	2,079	967	11,579
Revaluation	10,345	-	-	-	-	-	-	10,345
Transfer between categories	35	-	-	(2)	(33)	-	-	-
Preclassification	-	-	-	-	(2,527)	-	-	(2,527)
Disposal in 2014	-	(287)	(1,941)	(571)	(1,719)	-	(931)	(5,449)
As at 31 December 2014	**219,946**	**19,268**	**5,237**	**21,156**	**39,820**	**2,105**	**7,998**	**315,530**
Accumulated depreciation/amortization								
As at 31 December 2014	(21,626)	(4,646)	(2,911)	(13,220)	(17,869)	-	(4,967)	(65,239)
Accruals for 2015	(1,808)	(493)	(745)	(2,205)	(3,744)	-	(63)	(9,058)
Revaluation	(3,518)	-	-	-	-	-	-	(3,518)
Disposals in 2014	-	210	1,838	559	1,392	-	38	4,037
As at 31 December 2014	**(26,952)**	**(4,929)**	**(1,818)**	**(14,866)**	**(20,221)**	**-**	**(4,992)**	**(73,778)**
Residual value								
As at 31 December 2013	**187,180**	**14,631**	**2,331**	**6,934**	**22,246**	**26**	**2,995**	**236,343**
As at 31 December 2014	**192,994**	**14,339**	**3,419**	**6,290**	**19,599**	**2,105**	**3,006**	**241,752**

Starting from 2009 the Bank recognizes buildings at revalued cost. The revaluation was carried out by an independent valuer as at 31 December 2015, 31 December 2014, 31 December 2013, 31 December 2012, 1 January 2011 and 30 November 2010. For the purpose of the determination of the fair value of the buildings three methods were applied: income method, comparative method and cost method. For the ultimate calculation from the value estimated by each method the following proportions were taken:

- cost method - 0-20%;
- income method value - 40-50%;
- comparative method value - 40-50%.

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

According to the results of an independent assessment of buildings of the Bank as at 31 December 2015 there was a reduction of the carrying amount of these facilities of BYR 98,824 million, which is reported by the write-off of property, plant and equipment revaluation reserve in the amount of BYR 88,076 million and recognition as the Bank's losses in the amount of BYR 10,748 million.

As at 31 December 2014 the carrying amount of buildings would have been BYR 85,516 million as at 31 December 2015 (31 December 2014: BYR 85,577 million).

14. OTHER ASSETS

	31 December 2015	31 December 2014
Settlements with buyers on distribution of investment property	28,820	679
Prepayments on property, plant and equipment and construction	13,479	6,540
Prepayment on taxes other than income tax	13,330	1,519
Property received as debt repayment	4,294	15,678
Settlements with lessors	3,365	4,205
Shortages reported from accountable officers	3,157	350
Income accrued	2,172	2,735
Settlements with suppliers	1,735	1,663
State duty	282	631
Other	3,113	2,854
Total other assets	**73,747**	**36,854**
Less allowance for impairment	(20,064)	-
Total net other assets	**53,683**	**36,854**

As at 31 December 2015 the property transferred to the redemption of debt of "Proizvodstvenno-investicionnaya gruppa" Ltd, CJSC "FART" and V", UE "NORDALFA-BEL", LLC "AKTIVEST", PUE "AKSOFINVESTSTROY", CSJC "Industrial leasing company", an individual amounted to BYR 4,294 million and includes residual and non-residual real estate.

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

The movement in allowance for impairment of other assets as at 31 December 2015 and 31 December 2014 was as follows:

	31 December 2015	31 December 2014
Allowance for impairment at the beginning of the year	-	-
Creation	20, 064	-
Recovery	-	-
Total allowance for impairment at the end of the year	**20,064**	**-**

15. BALANCES DUE TO FINANCIAL INSTITUTIONS

	31 December 2015	31 December 2014
Deposits due to financial institutions	74,276	20,000
Current accounts due to banks	56,013	25,940
Loans received from other banks	311,654	-
Total balances due to financial institutions	**441,943**	**45,940**

As at 31 December 2015 the Bank had balances raised from 4 banks exceeding 10% of the Bank's equity in the amount of BYR 326,541 million.

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

16. CUSTOMER ACCOUNTS

	31 December 2015	31 December 2014
Profit-oriented companies	569,224	501,940
Non-for-profit and public organisations	31,997	34,783
Transactions with e-money	16,262	17,116
Individual entrepreneurs	53,963	30,433
Private individuals	1,383,228	713,791
Total customer accounts	**2,054,674**	**1,298,063**

As at 31 December 2015 and 2014 the Bank had no balances with clients, whose balances exceeded 10% of the Bank's equity.

17. DEBT SECURITIES ISSUED

As at 31 December 2015 and 2014 the Bank had the following securities in circulation:

	31 December 2015	31 December 2014
Bonds issued	9,026	66,691
Deposit certificates issued	17	20
Total debt securities issued	**9,043**	**66,711**

During 2015 the Bank conducted transactions with 12th, 13th, 14th bond-issue, including 14th issue in Belarusian rubles, and 12th, 13th issues in US dollars. During 2015 no deposits and savings certificates were issued. No deposit certificated were settled.

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

As at 31 December 2015 the Bank had the following bonds issued:

	Maturity	Interest rate	Amount as at 31 December 2015
Bonds of the 12th issue	11.11.2016	6%	6,108
Bonds of the 13th issue	01.06.2018	6%	2,918
Total			**9,026**

As at 31 December 2014 the Bank had the following bonds issued:

	Maturity	Interest rate	Amount as at 31 December 2015
Bonds of the 12th issue	11.11.2016	6%	66,691
Total			**66,691**

18. PREFERENCE SHARES

As at 31 December 2015 and 2014 the Bank issued 64,213 preference shares. As at 31 December 2015 and 2014 the par value of one share amounted to BYR 2,345 (historical cost).

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

19. OTHER LIABILITIES

	31 December 2015	31 December 2014
Settlements with other creditors	7,938	1,512
Unused vacations provision	7,329	5,876
Tax liabilities other than income tax liabilities	5,031	5,592
Loan commitments	4,945	5,736
Expenses accrued	4,383	3,820
Other	1,357	527
Total other liabilities	**30,983**	**23,063**

20. SHARE CAPITAL

The Bank's shareholders as at 31 December 2015 and 2014 were as follows:

	% of the issued share capital 31 December 2015	% of the issued share capital 31 December 2014
Legal entities		
Limited liability company "Kvolitas-Plus"	48.66	48.66
State Committee on Property of the Republic of Belarus	8.03	8.03
General Department of Justice of Minsk City Executive Committee	2.48	-
Superadded liability company "Stroytechnotrade"	2.44	2.44
Limited liability company "Megaproektstroy"	2.01	2.01
Limited liability company "Novy Standard"	1.40	1.40
FPTC "Gospak"	1.09	1.09
Private individuals		
I. A. Kurach	15.62	15.62
V. A. Kotsarenko	7.52	7.52
E. M. Kotsarenko	2.12	4.61
O.V. Zverev	2.78	2.78
M. V. Nikolaevich	1.56	1.56
Other shareholders	4.29	4.28
Total share capital	**100.00**	**100.00**

Share capital was not increased in 2015 and 2014.

As at 01 January 2016 the Bank recognized own ordinary (common) shares purchased in 2015 upon the shareholders' decision in the amount of 4,851 shares, the value of which is BYR 11,375,595 (eleven million three hundred seventy-five thousand five hundred ninety-five).

Following the decision of the Shareholders' General Meeting (minutes No.2 dated 16 April 2014) 21 May 2014 the Bank sold own shares repurchased in 2013 in the amount 2,676 ordinary shares at BYR 2,345 per shares. Total amount was BYR 6 million (with impact of hyperinflation BYR 8 million).

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

21. INTEREST INCOME

	2015	2014
On loans to customers	280,415	163,921
Financial assets available for sale	40,190	16,624
Balances due from financial institutions	3,311	11,785
Financial assets held to maturity	204	-
Other interest income	414	288
Total interest income	**324,534**	**192,618**

22. INTEREST EXPENSE

	2015	2014
Interest expense on liabilities at amortised cost:		
- on customer accounts	(104,822)	(77,572)
- on balances due to financial institutions	(15,404)	(4,986)
- on debt securities issued	(5,791)	(12,398)
Preference shares	(13)	(12)
Other interest expense	(7)	(69)
Total interest expense	**(126,037)**	**(95,037)**

23. COMMISSION AND FEE INCOME

	2015	2014
Transactions with bank payment cards	44,861	38,755
Client accounts' maintenance	35,469	30,883
Foreign currency transactions	10,497	27,626
Money transfers	5,474	7,207
Transactions with checks	5,369	5,465
Documentary transactions	2,816	3,400
Bank accounts' maintenance	639	363
Transactions with securities	565	423
Borrowings	25	70
Other transactions	7,150	4,616
Total commission and fee income	**112,865**	**118,808**

24. COMMISSION AND FEE EXPENSE

	2015	2014
Transactions with bank payment cards	(17,085)	(13,137)
Bank accounts' opening and (or) maintenance	(3,224)	(2,514)
Purchase (sale) of cash	(2,137)	(1,831)
Foreign currency transactions	(691)	(554)
Documentary transactions	(198)	(288)
Transactions with securities	(175)	(105)
Other transactions	(43)	(272)
Total commission and fee expense	**(23,553)**	**(18,701)**

25. NET GAIN /(LOSS) ON FINANCIAL INSTRUMENTS

	2015	2014
Net gain on financial assets available for sale	7,050	7,431
Net (loss)/gain on financial instruments at fair value through profit or loss	(2,924)	4,690
Net gain on financial instruments	**4,126**	**12,121**

26. NET FOREIGN EXCHANGE GAIN

	2015	2014
Exchange differences gain	6,466	37,538
Gain on foreign currency transactions	108,981	25,513
Total foreign exchange gain	**115,477**	**63,051**

27. PERSONNEL EXPENSES

	2015	2014
Remuneration	(94,024)	(78,891)
Social security contributions	(28,171)	(23,730)
Total personnel expenses	**(122,195)**	**(102,621)**

The average number of employees employed by the Bank in 2015 amounted to 714 persons (in 2014: 642 persons).

28. OTHER OPERATING INCOME, NET

	2015	2014
Debts previously written-off recovered	26,374	11,400
Net profit / (loss) from distribution of property, plant and equipment, intangible assets and other property	6,725	920
Penalties (fines, fees)	3,433	1,003
Lease payments	2,365	788
Income from cash collection services	1,999	685
The recognition of other payables unclaimed by customers	735	3,060
Income from consulting and information services	205	202
Other	692	2,146
Total operating income less expenses	**42,528**	**20,204**

29. ADMINISTRATIVE EXPENSES

	2015	2014
Repairs and maintenance	(14,046)	(11,020)
Taxes other than income tax	(11,543)	(12,569)
Lease payments	(11,347)	(6,845)
Social security contributions	(10,140)	(7,799)
Software	(8,777)	(7,996)
Charity	(3,315)	(1,542)
Security	(3,028)	(2,658)
Transportation	(2,287)	(1,921)
Marketing	(2,082)	(2,813)
Communication and mail	(1,783)	(1,133)
Collection	(1,739)	(1,498)
Insurance	(1,571)	(1,377)
Stationery	(1,445)	(873)
Information services	(1,165)	(964)
Professional services	(550)	(649)
Other	(9,922)	(6,754)
Total administrative expenses	**(84,740)**	**(68,411)**

30. INCOME TAX

Belarusian legal entities are obliged to file individual tax returns. From 1 January 2015 the profit tax rate for banks was set at 25%.

As of December 31, 2015 and 2014 calculation of deferred tax assets and liabilities was carried out using the tax rates of 25%. Expenses / (income) on income tax are as follows:

	2015	2014
Current income tax expenses	2,585	19,444
(Recovery)/expenses on deferred income tax	(588)	16,147
Total	**1,997**	**35,291**

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

	2015	2014
Deductible temporary differences		
Precious metals	-	134
Financial assets available for sale	-	1,720
Loans to customers	9,684	8,211
Property, plant and equipment and intangible assets	60,430	-
Customer accounts	5,459	977
Other assets and liabilities	20,404	19,683
Total deductible temporary differences	**95,977**	**30,725**
Deferred income tax asset	**23,994**	**7,682**
Temporary differences subject to taxation		
Cash and cash equivalents	(6,726)	(2,439)
Financial assets at fair value through profit or loss	-	(145)
Balances due from financial institutions	(808)	-
Property, plant and equipment and intangible assets	(377)	(40,386)
Investment property	(38,353)	(38,819)
Financial assets available for sale	(1,258)	-
Total temporary differences subject to taxation	**(47,522)**	**(81,789)**
Deferred income tax liability	**(11,880)**	**(20,447)**
Total net asset / (liability)	**12,114**	**(12,765)**

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

	2015	2014
Profit before income tax and after loss on net monetary position	21,237	37,611
Theoretical corporate income tax at statutory rate 25%	5,309	6,770
Effect of a change in income tax rate	-	3,574
The effect of the revaluation of fixed assets for tax purposes	-	-
Tax effect of income / expenses not involved in taxation	(3,312)	23,449
Effect of net monetary position	-	1,448
Total income tax expense	**1,997**	**35,291**

Information on deferred income tax movement is as follows:

	2015	2014
Deferred income tax at the beginning of the year	(12,765)	4,150
Recognised in profit and loss	588	(16,147)
Recognised in other comprehensive income	24,291	(768)
Total	**12,114**	**(12,765)**

31. RISK MANAGEMENT

The Bank has established an internal control system.

The objective of the internal control system is to provide:

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

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

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

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

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

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

(a) Credit risk

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

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

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

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

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

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

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

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

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

clients' debt analysis by the Credit Committee, requirements to potential clients and conditions for transaction conducting subject to credit risks can be reconsidered;

- credit risk stress-testing in order to determine potential credit risk;
- determination of allowance for impairment.

The maximum level of credit risk exposure is reflected in the carrying value of financial assets recognised in the statement of financial position. The maximum exposure to credit risk for off-balance sheet commitments equals to the amount of liabilities. The credit risk is mitigated by collateral and other credit enhancements as disclosed in Note 8.

(c) Liquidity risk

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

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

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

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

Standard rate	Rate of the National Bank of the Republic of Belarus	2015	2014
"Short-term liquidity" (ratio of assets with maturity periods less than 1 year to liabilities with maturity periods less than 1 year)	Min 1	1.8	2.9
"Quick liquidity" (ratio of assets on demand and liabilities on demand and overdue)	Min 20%	199.4%	267.6%
"Current liquidity" (ratio of assets with periods before 30 days, including assets on demand, and liabilities with periods before 30 days including liabilities on demand and overdue)	Min 70%	120.3%	152.9%
"Minimum ratio of liquid and total assets" (to maintain adequate ration of liquid assets)	Min 20%	39.7%	35.6%

Analysis of financial liabilities by terms till maturity

The following table sets out the remaining contractual maturities of financial liabilities representing undiscounted cash flows (both principal and interest cash flows) based on the earliest date on which the Bank can be required to pay as at 31 December 2015 and 31 December 2014.

31 December 2015	Amount, recognized in the statement of financial postion/ off-balance commitments	Undiscounted cash flows	Within 1 month	1 - 3 months	3 - 6 months	6 -12 months	1 - 5 years	More than 5 years	Maturity undefined
Financial liabilities									
Balances due to financial institutions	441,943	446,802	369,286	961	1,481	75,074	-	-	-
Customer accounts	2,054,674	2,207,033	258,675	121,547	48,986	139,702	756,408	723	880,992
Debt securities issued	9,043	9,783	46	87	135	6,332	3,166	-	17
Preference shares	193	193	-	-	-	-	-	-	193
Other financial liabilities	7,498	9,141	6,834	423	-	-	-	-	1,884
Total future potential cash outflows on financial liabilities	**2,513,351**	**2,672,952**	**634,841**	**123,018**	**50,602**	**221,108**	**759,574**	**723**	**883,086**
Off-balance loan commitments	**285,937**	**285,937**	**150,012**	**6,549**	**1,730**	**22,604**	**105,042**	**-**	**-**

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

(c) Market risk

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

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

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

The table below provides the analysis of the Bank's financial assets and financial liabilities by currency profile as at 31 December 2015:

31 December 2015	BYR	EUR	USD	RUB	Other currencies	Total
Financial assets						
Cash and cash equivalents	240,206	129,669	405,455	152,640	2,174	930,144
Balances due from financial institutions	13,690	262	13,294	-	-	27,246
Loans to customers	402,876	212,132	695,610	31,162	-	1,341,780
Financial assets available for sale	204,337	-	220,442	-	-	424,779
Financial assets held to maturity	1,270	-	-	-	-	1,270
Other financial assets	32,835	336	980	3,025	4	37,180
Total financial assets	895,214	342,399	1,335,781	186,827	2,178	2,762,399
Financial liabilities						
Balances due to financial institutions	135,026	25,465	281,444	3	5	441,943
Customer accounts	470,602	1,226,486	301,824	55,169	593	2,054,674
Debt securities issued	16	-	9,027	-	-	9,043
Preference shares	193	-	-	-	-	193
Other financial liabilities	2,169	305	2,860	(9)	2,173	7,498
Total financial liabilities	608,006	1,252,256	595,155	55,163	2,771	2,513,351
Net long / (short) financial position	287,208	(909,857)	740,626	131,664	(593)	249,048

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

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

Sensitivity analysis - Currency risk

A 10 % strengthening of the BYR against the following currencies as at 31 December 2015 would have increased / (decreased) profit before tax and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2014.

	Impact on profit before tax	Impact on equity before tax
31 December 2015		
EUR	90,985	90,985
USD	(74,063)	(74,063)
RUB	(13,166)	(13,166)
Other currencies	59	59
31 December 2014		
EUR	3,475	3,475
USD	6,150	6,150
RUB	(877)	(877)
Other currencies	33,965	33,965

A weakening of BYR against the above currencies at 31 December 2015 would have had the equal but opposite effect on amounts shown above, on the basis that all other variables remain constant.

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

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

Sensitivity analysis - interest risk

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

	Impact on profit before tax		Impact on equity before tax	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2015				
Floating rate instruments	-	-	-	-
31 December 2014				
Floating rate instruments	56	(56)	56	(56)

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

(d) Country risk

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

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

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

The geographical analysis of assets and liabilities of the Bank as at 31 December 2015 is presented as follows:

31 December 2015	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	731,997	192,575	5,572	930,144
Balances due from financial institutions	26,948	-	298	27,246
Loans to customers	1,341,780	-	-	1,341,780
Financial assets available for sale	424,779			424,779
Financial assets held to maturity	1,270	-	-	1,270
Other financial assets	36,377	39	764	37,180
Total financial assets	**2,563,151**	**192,614**	**6,634**	**2,762,399**
Financial liabilities				
Balances due to financial institutions	441,935	-	8	441,943
Customer accounts	2,033,442	3,336	17,896	2,054,674
Debt securities issued	9,043	-	-	9,043
Preference shares	193	-	-	193
Other financial liabilities	7,557	-	(59)	7,498
Total financial liabilities	**2,492,170**	**3,336**	**17,845**	**2,513,351**
Net financial position	**70,981**	**189,278**	**(11,211)**	**249,048**

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

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

(e) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;

- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

(f) Capital management

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

Capital adequacy

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

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

Capital adequacy is calculated in accordance with the National Bank of Republic of Belarus (NB RB) requirements. The prescribed ratio of Tier I capital adequacy should be not less than 10 %; Tier II capital adequacy has to be not less than 5 %. As at 31 December 2015, the Bank was in compliance with the capital adequacy requirements set in the Belarusian Law and NB RB regulations.

Calculated in accordance with the requirements of the National Bank of the Republic of Belarus Tier I capital equalled to 21.1%, Tier II capital adequacy ratio equalled to 10.3% as at 31 December 2015 (as at 31 December 2014 - 23.7% and 9.5 % respectively).

As of 31 December 2015, the Bank has provided performance the performance and capital adequacy requirements of the National Bank of the Republic of Belarus to the minimum amount of regulatory capital for banks authorized to conduct banking operations, with the exception of attracting funds from individuals (including individual entrepreneurs) in form of bank accounts and (or) deposits and (or) opening and maintaining bank accounts of individuals (EUR 25 million).

The amount of Tier I capital as at 1 January 2016 was EUR 26.21 million (as at 1 January 2015 it was EUR 31.16 million).

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

32. CONTINGENT LIABILITIES AND COMMITMENTS

(a) Operating lease commitments

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

	2015	2014
Less than 1 year	6,905	10,948
From 1 to 5 years	8,918	14,139
Total operating lease commitments	**15,823**	**25,088**

(b) Loan commitments

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

The Bank applies the same credit control and management policies in undertaking contingent liabilities as it does for financial instruments recognized in the statements of financial position.

Loan commitments of the Bank were as follows:

	2015	2014
Guarantees issued	139,344	138,743
Liabilities on provision of funds	142,452	79,673
Letters of credit	9,086	8,605
Total loan commitments	**290,882**	**227,021**
Less provision for loan commitments	(4,945)	(5,736)
Total loan commitments	**285,937**	**221,285**

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

	2015	2014
Provision as at the beginning of the year	5,736	17,432
Creation	180,603	25,559
Recovery	(181,960)	(35,170)
Exchange differences	566	348
Net monetary position result	-	(2,433)
Total provision at the year end	**4,945**	**5,736**

(c) Litigation

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

(d) Retirement payments

The Bank's employees receive pension in accordance with the law of the Republic of Belarus. As at 31 December 2015 and 31 December 2014 the Bank had no obligations for additional payments, pension medical services, insurance, pension benefits for current or former employees to be charged.

(e) Legislation

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

33. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

Financial assets and liabilities at fair value:

31 December 2015	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
Financial assets available for sale	-	423,478	-	423,478

31 December 2015	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant un-observable inputs (Level 3)	Total
Financial assets at fair value through profit or loss	-	4,512	-	**4,512**
Financial assets available for sale	-	162,794	-	**162,794**

Financial instruments at fair value

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

Derivatives

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

Financial instruments not recognized at fair value in the statements of financial position

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

	Carrying amount as at 31 December 2015	Fair value as at 31 December 2015	Carrying amount as at 31 December 2014	Fair value as at 31 December 2014
Financial assets				
Cash and cash equivalents	930,144	930,144	413,043	413,043
Balances due from financial institutions	27,246	27,246	27,340	27,340
Loans to customers	1,341,780	1,341,780	1,047,488	1,047,488
Financial assets held to maturity	1,270	1,270	-	-
Financial assets available for sale	1,301	1,301	1,333	1,333
Other financial assets	37,180	37,180	23,297	23,297
Total financial assets	**2,338,921**	**2,338,921**	**1,512,501**	**1,512,501**
Financial liabilities				
Balances due to financial institutions	441,943	441,943	45,940	45,940
Customer accounts	2,054,674	2,054,674	1,298,063	1,298,063
Debt securities issued	9,043	9,043	66,711	66,711
Preference shares	193	193	193	193
Other financial liabilities	7,498	7,498	11,836	11,836
Total financial liabilities	**2,513,351**	**2,513,351**	**1,422,743**	**1,422,743**

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

Assets with fair value approximating their carrying amount

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

Fixed and floating rate financial instruments

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

34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 31 "Risk management" for Bank's contractual undiscounted repayment obligation.

	31 December 2015			31 December 2014		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Assets						
Cash and cash equivalents	930,144	-	930,144	413,043	-	413,043
Precious metals	4,994	-	4,994	3,668	-	3,668
Balances due from financial institutions	27,246	-	27,246	27,340	-	27,340
Financial assets at fair value through profit or loss	-	-	-	4,512	-	4,512
Financial assets held to maturity	-	1,270	1,270			
Investment property	-	100,487	100,487	-	55,839	55,839
Property, plant and equipment and intangible assets	-	145,905	145,905	-	241,752	241,752
Deferred income tax asset	-	12,114	12,114	-	-	-
Loans to customers	432,248	909,532	1,341,780	777,463	270,025	1,047,488
Financial assets available for sale	330,341	94,438	424,779	92,161	71,966	164,127
Other assets	50,280	3,403	53,683	34,782	2,072	36,854
Total assets	1,775,253	1,267,149	3,042,402	1,352,969	641,654	1,994,623

	31 December 2015			31 December 2014		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Liabilities						
Balances due to financial institutions	441,943	-	441,943	45,940	-	45,940
Customer accounts	1,178,783	875,891	2,054,674	992,494	305,569	1,298,063
Debt securities issued	6,125	2,918	9,043	20	66,691	66,711
Preference shares	193	-	193	193	-	193
Current income tax liabilities	626	-	626	3,810	-	3,810
Deferred income tax liabilities	-	-	-	-	12,765	12,765
Other liabilities	30,983	-	30,983	22,942	121	23,063
Total liabilities	1,658,653	878,809	2,537,462	1,065,399	385,146	1,450,545
Net long/ (short) financial position	116,600	388,340	504,940	287,570	256,508	544,078

35. RELATED PARTIES

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

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

	31 December 2015	31 December 2014
Customer accounts	367	341
Total	367	341

	31 December 2015	31 December 2014
Loans to customers		
Credit payables	296,325	159,370
Less allowance for impairment of loans to customers	(70,951)	(18,462)
Total net loans to customers	225,374	140,908

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

	2015	2014
Interest and commission income and expenses		
Interest income	20,852	11,814
Interest expenses	(92)	(160)
Commission and fee income	205	187
Total	**20,965**	**11,841**

	31 December 2015	31 December 2014
Lease payments	(1,755)	(1,352)
Total	**(1,755)**	**(1,352)**

	31 December 2015	31 December 2014
Remuneration to key management personnel	14,960	10,238
Total	**14,960**	**10,238**