Joint Stock Company "Technobank"

Financial statements

for the year ended 31 December 2013

JSC "Technobank"
44, Kropotkina str.,
Minsk 220002, Republic of Belarus
Telephone: +375 17 283 15 10
Banking licence № 11,
dated 5 June 2013 is issued by the National Bank of the Republic of Belarus

Contents:

GrantThornton

May 27, 2014 No. 60/14-3
Ref No.__________ dated __________

To the Shareholders of JSC "Technobank"

Grant Thornton Ltd.

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Independent auditors' report

We have audited the accompanying financial statements of JSC "Technobank" (further - "the Bank") which comprise of the statement of financial position as at 31 December 2013, 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 7 to 60.

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 includes: 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; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSC "Technobank" as at 31 December 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Nikolay Glinkov
Partner
Grant Thornton Ltd
Minsk Belarus
27 May 2014

Information about the Audited Entity

Joint Stock Company "Technobank"

JSC "Technobank" was registered by the National Bank of the Republic of Belarus on August 05, 1994, registration number 47;

Address: 44, Kropotkina str., Minsk 220002, Republic of Belarus.

Information about the Auditor

Grant Thornton, Limited Liability Company;

registered by Minsk City Executive Committee on July 12, 2013;

Address: Melezha str., 5/2, administrative building 1704, 1705, Minsk, Republic of Belarus, 220113;

TIN 100024856;

Director – Silina Valentina Grigorevna.

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 60 represent fairly the financial position of the Bank as of 31 December 2013, the results of its operations and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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

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

The financial statements for the year ended 31 December 2013 were authorised for issue on 27 May 2014 and signed on behalf of the management of the Bank.

On behalf of the management of the Bank:

Chairman of the Management Board
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО «ТЕХНОБАНК» JOINT STOCK COMPANY "TECHNOBANK" ТЕХНОБАНК REPUBLIC OF BELARUS MINSK РЕСПУБЛИКА БЕЛАРУСЬ г. МИНСК

Minsk,
27 May 2014

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

Statement of Financial Position

	Notes	31 December 2013	31 December 2012
ASSETS			
Cash and cash equivalents	6	445,988	460,649
Precious metals		2,585	3,629
Balances due from financial institutions	7	19,088	16,249
Loans to customers	8	658,919	667,991
Financial assets available for sale	9	1,147	1,147
Financial assets at fair value through profit or loss		-	1
Investment property	10	50,391	37,314
Property and equipment	11	200,782	274,307
Intangible assets	11	2,577	1,810
Deferred income tax asset	26	3,571	-
Other assets	12	13,233	26,471
TOTAL ASSETS		**1,398,281**	**1,489,568**
LIABILITIES AND EQUITY			
Liabilities			
Balances due to financial institutions	13	46,789	95,984
Customer accounts	14	823,012	864,359
Debt securities issued	15	34,491	4,011
Preference shares	16	166	287
Current income tax liabilities		3,459	4,041
Deferred income tax liabilities	26	-	28,789
Other liabilities	17	26,199	14,006
Total liabilities		**934,116**	**1,011,477**
Equity			
Share capital	18	451,939	439,071
Treasury shares	18	(7)	(194)
Revaluation reserve of property and equipment	11	49,313	112,083
Accumulated loss		(37,080)	(72,869)
Total equity		**464,165**	**478,091**
TOTAL LIABILITIES AND EQUITY		**1,398,281**	**1,489,568**

The accompanying notes on pages 12 to 60 form an integral part of these financial statements.

Chairman of the Management Board
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

ОТКРЫТОЕ АКЦИОНЕРНОЕ ОБЩЕСТВО ТЕХНОБАНК • JOINT STOCK COMPANY TECHNOBANK • REPUBLIC OF BELARUS MINSK • РЕСПУБЛИКА БЕЛАРУСЬ г.МИНСК • ТЕХНОБАНК

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

Statement of Comprehensive Income

	Notes	2013	2012
Interest income	19	147,477	163,999
Interest expense	19	(46,801)	(80,858)
Net interest income		**100,676**	**83,141**
Commission and fee income	20	77,606	70,327
Commission and fee expense	20	(15,654)	(13,624)
Net commission and fee income		**61,952**	**56,703**
Net loss on financial instruments	21	(527)	(4,357)
Net foreign exchange gain	22	61,015	50,631
Other income/ (expense)	24	13,450	(126,461)
Net operating income		**236,566**	**59,657**
Net change in allowances for impairment of financial assets		(34,259)	(14,053)
Net change in allowances for impairment of other assets		-	3,631
Net change in provisions for loan commitments		(13,068)	(766)
Personnel expenses	23	(74,713)	(62,853)
Depreciation and amortisation	10, 11	(7,559)	(10,367)
Administrative expenses	25	(48,977)	(63,430)
Profit/ (loss) before tax and before (loss)/ profit on net monetary position		**57,990**	**(88,181)**
Income tax benefit/ (expense)	26	9,941	26,338
Profit/ (loss) before (loss)/ profit on net monetary position		**67,931**	**(61,843)**
(Loss)/ profit on net monetary position due to inflation		(32,142)	19,249
Profit/ (loss) for the year		**35,789**	**(42,594)**
Revaluation of property and equipment		(76,549)	72,854
Effect of property and equipment revaluation on income tax		13,779	(13,113)
Total other comprehensive (loss)/ income		(62,770)	59,741
Total comprehensive (loss)/ income for the year		**(26,981)**	**17,147**

The accompanying notes on pages 12 to 60 form an integral part of these financial statements.

Chairman of the Management Board
D.L. Mikhalevich

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N.A. Kuzmitskaya

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

Statement of Changes in Equity

	Notes	Share capital	Treasury shares	Revaluation reserve of property and equipment	Accumulated loss	Total equity
Balance as at 31 December 2011		**373,339**	-	**52,342**	**(15,577)**	**410,104**
Loss for the year		-	-	-	(42,594)	**(42,594)**
Other comprehensive income		-	-	**59,741**	-	**59,741**
Revaluation of property and equipment		-	-	72,854	-	**72,854**
Effect of property and equipment revaluation on income tax		-	-	(13,113)	-	**(13,113)**
Total comprehensive income for the year		-	-	**59,741**	**(42,594)**	**17,147**
Transactions with shareholders recorded directly in equity		65,732	(194)	-	(14,698)	**50,840**
Capitalisation of profit		14,698	-	-	(14,698)	-
Additional issue of shares		51,034	-	-	-	**51,034**
Redemption of shares		-	(194)	-	-	**(194)**
Balance as at 31 December 2012		**439,071**	**(194)**	**112,083**	**(72,869)**	**478,091**
Profit for the year		-	-	-	35,789	**35,789**
Other comprehensive income		-	-	**(62,770)**	-	**(62,770)**
Revaluation of property and equipment		-	-	(76,549)	-	**(76,549)**
Effect of property and equipment revaluation on income tax		-	-	13,779	-	**13,779**
Total comprehensive income for the year		-	-	**(62,770)**	**35,789**	**(26,981)**
Transactions with shareholders recorded directly in equity		**12,868**	**187**	-	-	**13,055**
Additional issue of shares		12,922	-	-	-	**12,922**
Hyperinflation impact of previous years		(54)	-	-	-	**(54)**
Sale of shares		-	194	-	-	**194**
Redemption of shares		-	(7)	-	-	**(7)**
Balance as at 31 December 2013		**451,939**	**(7)**	**49,313**	**(37,080)**	**464,165**

The accompanying notes on pages 12 to 60 form an integral part of these financial statements.

Chairman of the Management Board
D.L. Mikhalevich

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(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

Statement of Cash Flows

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/ (loss) before income tax and before profit on net monetary position		57,990	(88,181)
(Profit)/ loss on disposal of investment property, property, equipment and intangible assets		(1,558)	191,903
Net change in income and expenses accrued		(116,255)	(61,663)
Allowance for impairment of assets	7,8	34,259	10,421
Depreciation and amortisation	10,11	7,559	10,367
Provisions for unused vacations		1,967	1,642
Exchange differences	22	(4,773)	1,513
Provisions for loan commitments	17	13,068	766
Property received as debt repayment		(19,681)	-
Financial result from recognition of financial instruments at fair value		756	(14)
Decrease/ (increase) in cash and cash equivalents from operating activities before changes in operating assets and liabilities		**(26,668)**	**66,754**
(Increase)/ decrease in operating assets:			
Precious metals		(263)	-
Balances due from financial institutions		(6,832)	91,724
Loans to customers		41,359	(62,194)
Financial assets available for sale		-	14,863
Other assets		9,002	(37,401)
Increase/ (decrease) in operating liabilities:			
Balances due to financial institutions		(43,189)	80,941
Customer accounts		19,716	72,598
Other liabilities		(4,375)	(54,982)
Net (decrease)/ increase in cash and cash equivalents from operating activities before income tax		**(11,250)**	**172,303**
Income tax paid		(4,931)	(1,749)
Net cash and cash equivalents from operating activities		**(16,181)**	**170,554**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, equipment and intangible assets		(7,593)	(11,070)
Proceeds from sale of property, equipment and intangible assets		1,154	73,812
Net cash and cash equivalents from investing activities		**(6,439)**	**62,742**
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in share capital		12,868	51,034
Debt securities issued		32,603	(90,369)

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

	Notes	2013	2012
Preference shares		-	(2)
Sale of treasury stock		187	(194)
Net cash and cash equivalents (used in)/ from financing activities		**45,658**	**(39,531)**
Net increase in cash and cash equivalents		**23,038**	**193,765**
Effect of changes in foreign exchange rate on cash and cash equivalents		**20,958**	**8,226**
Inflation impact on cash and cash equivalents		**(58,657)**	**(64,813)**
Cash and cash equivalents at the beginning of the year	6	**460,649**	**323,471**
Cash and cash equivalents at the end of the year	6	**445,988**	**460,649**

The accompanying notes on pages 12 to 60 form an integral part of these financial statements.

Chairman of the Management Board
D.L. Mikhalevich

Chief Accountant
N.A. Kuzmitskaya

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(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

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.

Regulatory requirements

The Bank is required to comply with the requirements of the Banking Code of the Republic of Belarus, the Law of the Republic of Belarus "On Accounting and Financial Statements", National financial reporting standards (NFRS) and other regulations. These requirements, among others, include maintaining capital adequacy and minimum equity requirements, liquidity, foreign currency position and other applicable requirements.

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 and individuals, executes currency exchange operations and provides other banking services.

2. ECONOMIC ENVIRONMENT

The Bank operates primarily within the Republic of Belarus.

Inflation

According to IAS 29 since 1 January 2011 the economy of the Republic of Belarus is hyperinflationary. The inflation indices from 2001 to 2013 are given in the note 3(b).

Currency transactions and currency control

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

Reporting date	US Dollar	Euro	Russian rouble
31 December 2013	9,510	13,080.00	290.50
31 December 2011	8,570	11,340.00	282.00
31 December 2011	8,350	10,800.00	261.00
31 December 2010	3,000	3,972.60	98.44
31 December 2009	2,863	4,106.11	94.66

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

Financial market transactions

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

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

3. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB).

The Bank maintains its accounting records in accordance with the legislation of the Republic of Belarus. In addition to the financial statements prepared according to the law of the Republic of Belarus, the Bank prepares the financial statements in accordance with IFRS.

The financial statements for the year ended 31 December 2013 were authorised for issue and signed on behalf of the management by the Chairman of the Board and the Chief Accountant on 27 May 2014. The shareholders have the right to amend these statements and request they be re-issued.

(b) Basis of measurement

The accompanying financial statements have been prepared on the historical cost basis except for some financial instruments, which are carried at fair value, and for some non-monetary items that are recognised according to IAS 29 "Financial reporting in hyperinflationary economies".

In accordance with IAS 29 the economy of the Republic of Belarus was considered to be hyperinflationary during 2005 and prior years. Starting 1 January 2006 the economy of the Republic of Belarus was no longer considered to be hyperinflationary and the values of the Bank's non-monetary assets, liabilities and equity as stated in measuring units as at 31 December 2005 had formed the basis for the amounts carried forward to 1 January 2006.

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 5 years, ended 31 December 2005, were the following:

Year	Index, %
2005	108,0%
2004	114.4%
2003	125.4%
2002	134.8%
2001	146.1%

Since 2011 the economy of the Republic of Belarus is again considered to be hyperinflationary. Thus the financial statements for the year ended 31 December 2012 and comparative information are presented in accordance with IAS 29 in the prices as at 31 December 2012.

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 eight years, ended 31 December 2013, were the following:

Year	Index, %
2013	116.5%
2012	121.8%
2011	208.7%
2010	109.9%
2009	110.1%
2008	113.3%
2007	112.1%
2006	106.6%

(c) Functional and presentation currency

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

(d) Use of judgements and estimates

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

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

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

(e) Changes in accounting policies

In general the accounting policies applied comply with those used in the year 2012.

Adoption of new and revised standards

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Bank.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures.

Amendments to IAS 19 Employee Benefits

The IASB has published amendments to IAS 19 Employee Benefits effective for annual periods beginning on or after 1 January 2013, which proposes major changes to the accounting for employee benefits, particularly, removal of the option of deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments limit the changes in the pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. The amendment had no impact on the Bank's financial position.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries; for example, the situation where a subsidiary is controlled with less than a majority of voting rights. The Bank has no subsidiaries with material non-controlling interests nor unconsolidated structured entities.

These amendments had no impact on the Bank's financial position.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 introduce a grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (e.g., net loss or gain on financial assets available for sale) now have to be presented separately from items that will never be reclassified (e.g., revaluation of buildings). The amendment affected presentation only and had no impact on the Bank's financial position or performance.

IAS 1 Clarification of the requirement for comparative information (Amendment)

The amendment to IAS 1 clarifies the difference between voluntary additional comparative information and the minimum required comparative information. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The amendment clarifies that additional voluntarily comparative information does not need to be presented in an opening statement of financial position when an entity makes retrospective restatements, or reclassifies items in its financial statements. The amendment affected presentation only and had no impact on the Bank's financial position or performance.

Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements).

The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. The amendment had no impact on the Bank's financial position or performance.

4. USE OF ESTIMATES AND JUDGEMENTS

(a) Key sources of estimation uncertainty

Allowances for credit losses

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

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

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

Determining fair value

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

(b) Critical accounting judgements

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

Valuation of financial instruments

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

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

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

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

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

Determination of deferred tax asset

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

5. SIGNIFICANT ACCOUNTING POLICIES

(a) Foreign currency

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

Profit or loss relating to fluctuations in the exchange rate on monetary assets and liabilities denominated in a foreign currency are recognised in the statement of comprehensive income in the period in which the fluctuation occurs. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of financial assets available for sale at fair value that are recognised in other comprehensive income.

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

(b) Income and expenses recognition

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

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

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

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

(c) Lease payments

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

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

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

(d) Income tax expense

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

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

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

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

(e) Financial assets and financial liabilities

Recognition

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

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

Classification

All financial instruments are classified into the following categories.

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

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

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

Financial assets available for sale are non-derivative investments that are designated as available for sale or are not classified as another category of financial assets. Financial assets available for sale represent equity and debt securities. Unquoted equity and debt securities whose fair value cannot reliably be measured are carried at cost. All other investments available for sale 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 financial institutions, deposits due to customers, debt securities issued, subordinated loan and other financial liabilities corresponding to such a classification.

Derecognition

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

Amortised cost measurement

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

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

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

Impairment

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

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

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

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

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

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

(f) Cash and cash equivalents

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

(g) Property and equipment

Property and equipment are recorded at initial cost adjusted for the purchasing power of the Belarusian Rouble as at 31 December 2013 less accumulated depreciation and impairment loss (if any).

Buildings are accounted using the revaluation method effective as at 31 December 2009. According to paragraph 24 of IAS 29 revaluation reserve accumulated during previous periods is excluded at the beginning of the first reporting period of application of the standard.

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 11). 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 residual 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.

Depreciation

Depreciation is charged from the time the property and equipment is put into operation. Depreciation is charged on a straight-line basis by applying the following rates:

Category	Useful life (years)
Buildings and constructions	6-125
Computer facilities	3-8
Transport vehicles	5-9
Other property and equipment	3-50

Residual values and useful lives are reviewed and, if necessary, adjusted at each reporting date.

(h) Intangible assets

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

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

Intangible assets include software.

Intangible assets are recognised at initial cost adjusted for the purchasing power of the Belarusian Rouble as at 31 December 2012 less accumulated amortisation and impairment loss, if any.

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

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

(i) Investment property

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

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

(j) Leased assets

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership.

The Bank presents assets subject to operating leases in its statement of financial position according to the nature of the asset.

Under a finance lease the Bank as a lessor recognises assets in the statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Bank as a lessee recognises finance leases as assets and liabilities in its statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

(k) Assets received as debt repayment, property for sale

Sometimes in the course of its regular activity property rights for non-financial assets which initially have been declared as loan security pass to the Bank. When the Bank acquires (i.e. acquires complete ownership) non-financial assets in this way, the asset is classified depending on how the Bank expects to use this asset. Initially these assets are recognized at the cost of the corresponding loans recorded in the statement of financial position, and are classified as other assets. The assets received as debt repayment are subsequently estimated according to the accounting policy, based on the classification of such assets in the statement of financial position.

The property is classified as Property for Sale, if its book value is recovered generally due to sale, not by means of continued use. In order to be classified in this category the asset shall be available for immediate sale in its current state and only under the terms and conditions obligatory for sale of such assets, and its sale shall be extremely probable. In order a sale to be recorgnised as extremely probable, the appropriate management shall accept the plan to sell the asset; an active program for buyer search and plan accomplishment shall be initiated; the activity for asset sale at the price which is reasonable compared to its current fair value shall be performed actively; there shall be an expectation that the sale will meet requirements for recognition as finished sale within one year from the date of its classification. The non-current asset classified as asset for sale shall be recognised at the smallest of the balance and fair costs less selling expenses.

(l) Impairment of non-financial assets

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

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

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

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

(m) Provisions

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

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

(n) Short-term employee benefits

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

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

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

(o) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

Preference shares

Preference shares are classified as equity if it is non-redeemable, or redeemable only at the Bank's option, 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 shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in the statement of comprehensive income as accrued.

(p) Loan commitments

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

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

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following amounts:

	31 December 2013	31 December 2012
Cash	184,577	122,171
Demand balances with financial institutions	181,780	158,499
Balances with the National Bank of the Republic of Belarus (excluding resources in Statutory reserve fund)	79,631	179,979
Total	**445,988**	**460,649**

As at 31 December 2013 cash and cash equivalents comprised balances with DeltaBank (Republic of Belarus), whose balances exceeded 10% of the Bank's equity. The gross value of these balances as at 31 December 2013 was BYR 65,000 million.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

As at 31 December 2012 cash and cash equivalents comprised 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 2013	31 December 2012
Demand balances in other banks including restricted balances due from other banks	8,492	6,701
Nostro accounts	25	2
Reserves in the National Bank of the Republic of Belarus	10,596	9,548
Total balances due from financial institutions	**19,113**	**16,251**
Less allowance for impairment	(25)	(2)
Total balances due from financial institutions, net	**19,088**	**16,249**

Movements in allowance for impairment for balances from financial institutions are presented below:

Allowance for impairment	31 December 2013	31 December 2012
Allowance for impairment at the beginning of the year	2	373
Increase in allowances	129,182	85,708
Release of allowances	(130,384)	(86,039)
Net result on monetary position	1,225	(40)
Total allowance for impairment as at the year end	**25**	**2**

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.

As at 31 December 2012 the Bank had no balances exceeding 10% of the Bank's equity.

As at 31 December 2013 and 2012 the Bank had balance that was restricted for use in the amount of BYR 8,492 million and BYR 6,701 million correspondingly. It was represented by the amounts pledged as a collateral for liabilities to make transactions with plastic cards and other payments.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

8. LOANS TO CUSTOMERS

(a) by customer profile:

	31 December 2013	31 December 2012
Legal entities and entrepreneurs	680,479	689,479
Individuals	28,788	8,419
Total loans to customers	**709,267**	**697,898**
Less allowance for impairment loss	(50,348)	(29,907)
Total net loans to customers	**658,919**	**667,991**

(b) by type of loan:

	31 December 2013	31 December 2012
Credit lines	493,939	470,529
Standard loans	184,894	211,721
Factoring	28,522	10,786
Net investments in finance leases	1,287	4,575
Overdraft	625	287
Total loans to customers	**709,267**	**697,898**
Less allowance for impairment loss	(50,348)	(29,907)
Total net loans to customers	**658,919**	**667,991**

(e) industry analysis of loan portfolio:

	31 December 2013	31 December 2012
Trade	306,837	195,403
Construction	131,483	187,559
Manufacturing industry	111,858	98,430
Real estate	61,310	145,926
Transport	30,233	21,630
Agriculture and food industry	7,195	6,655
Other	31,563	33,876
Individuals	28,788	8,419
Total net loans to customers	**709,267**	**697,898**

(f) 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.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

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

(e) by overdue periods:

	31 December 2013		**31 December 2012**	
	Loans to customers	**Allowance for impairment**	**Loans to customers**	**Allowance for impairment**
Impaired loans				
Not past due	705,498	(48,729)	690,367	(29,775)
Past due less than 30 days	966	(115)	2,716	(36)
Past due 31 - 90 days	1,221	(144)	1,384	(30)
Past due 91 - 180 days	236	(84)	45	(22)
Past due 181 - 366 days	119	(49)	472	(1)
Past due more than 1 year	1,227	(1,227)	2,914	(43)
Total	**709,267**	**(50,348)**	**697,898**	**(29,907)**

(f) credit quality of loan portfolio:

Loans impaired, 2013	**Loans**	**Allowance for impairment**	**Loans less allowance**
Individually impaired loans	356,433	(46,398)	310,035
Collectively impaired loans	352,834	(3,950)	348,884
Total	**709,267**	**(50,348)**	**658,919**

Loans impaired, 2012	**Loans**	**Allowance for impairment**	**Loans less allowance**
Individually impaired loans	343,692	(25,797)	317,895
Collectively impaired loans	354,206	(4,110)	350,096
Total	**697,898**	**(29,907)**	**667,991**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

(g) movements in the allowance for impairment:

Allowance for impairment	31 December 2013	31 December 2012
Allowance for impairment at the beginning of the year	29,907	60,197
Increase in allowances	180,606	201,465
Release of allowances	(145,209)	(187,039)
Assets written-off	(8,282)	(33,610)
Net result on monetary position	(6,674)	(11,106)
Total allowance for impairment as at the year end	**50,348**	**29,907**

(h) analysis of investment in finance lease:

	31 December 2013	31 December 2012
Gross investment in finance leases:		
Less than one year	117	1,188
Between one year and five years	-	299
Past due	1,184	3,350
Total gross investment in finance leases:	1,301	4,837
Unearned income from finance lease	(14)	(262)
Net investment in finance leases	**1,287**	**4,575**

(i) Concentration of loans to customers

As at 31 December 2013 the Bank had 1 borrower, whose balances exceeded 10% of the Bank's equity. The gross value of these balances (less impairment loss) as at 31 December 2013 was BYR 48,303 million.

As at 31 December 2012 the Bank had balances with 2 borrowers, whose balances exceeded 10% of the Bank's equity. The gross value of these balances (less impairment loss) as at 31 December 2012 was BYR 101,931 million.

9. FINANCIAL ASSETS AVAILABLE FOR SALE

	31 December 2013	31 December 2012
Unquoted equity securities	1,147	1,147
Allowance for impairment	-	-
Total financial assets available for sale	**1,147**	**1,147**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

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

As there are no bonds issued by legal entities in the portfolio of financial assets available for sale as at 31 December 2013 allowance for impairment of financial assets available for sale as at 31 December 2013 was not created.

Movements in impairment allowance of financial assets available for sale are presented below:

	31 December 2013	31 December 2012
Allowance for impairment at the beginning of the year	-	37
Increase in allowances	1,035	59
Release of allowances	(971)	(102)
Net result on monetary position	(64)	6
Total allowance for impairment as at the year end	**-**	**-**

10. INVESTMENT PROPERTY

The movement of the investment property for the years ended 31 December 2013 and 2012 are as follows:

	31 December 2013
Cost	
As at 31 December 2012	39,137
Additions in 2013	31,331
Disposals in 2013	(18,572)
As at 31 December 2013	**51,896**
Accumulated depreciation	
As at 31 December 2012	(1,823)
Charge for 2013	(502)
Disposals in 2013	820
As at 31 December 2013	**(1,505)**
Carrying amount	
As at 31 December 2012	**37,314**
As at 31 December 2013	**50,391**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

	31 December 2012
Cost	
As at 31 December 2011	267,916
Additions in 2012	47,127
Disposals in 2012	(275,906)
As at 31 December 2012	**39,137**
Accumulated depreciation	
As at 31 December 2011	(9,322)
Charge for 2012	(1,815)
Disposals in 2012	9,314
As at 31 December 2012	**(1,823)**
Carrying amount	
As at 31 December 2011	**258,594**
As at 31 December 2012	**37,314**

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 (almost 40% of additions received from related parties), or through purchase, and subsequently is held by the Bank to earn rentals. Due to slowdown on the real estate market in Belarus in 2013 and 2012, the fair value of the property is impracticable to determine.

As at 31 December 2013 and 2012 the Management of the Bank estimated the fair value of the investment property in the amount of approximately BYR 142,695 million and BYR 105,664 million, respectively.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

11. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

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

	Buildings	Constructions	Computers and office facilities	Vehicles	Furniture and others	Capital investments	Total
Cost							
As at 31 December 2012	258,063	16,434	16,913	5,237	28,241	-	**324,888**
Additions in 2013	-	185	1,522	418	8,268	22	**10,415**
Revaluation for 2013	(78,399)	-	-	-	-	-	**(78,399)**
Disposals in 2013	-	(33)	(1,094)	(1,143)	(1,992)	-	**(4,262)**
As at 31 December 2013	**179,664**	**16,586**	**17,341**	**4,512**	**34,517**	**22**	**252,642**
Accumulated depreciation							
As at 31 December 2012	(19,299)	(3,587)	(10,504)	(2,926)	(14,265)	-	**(50,581)**
Charge for 2013	(1,159)	(443)	(1,880)	(458)	(2,757)	-	**(6,697)**
Revaluation for 2013	1,850	-	-	-	-	-	**1,850**
Disposals in 2013	-	33	1,009	879	1,647	-	**3,568**
As at 31 December 2013	**(18,608)**	**(3,997)**	**(11,375)**	**(2,505)**	**(15,375)**	**-**	**(51,860)**
Carrying amount							
As at 31 December 2012	**238,764**	**12,847**	**6,409**	**2,311**	**13,976**	**-**	**274,307**
As at 31 December 2013	**161,056**	**12,589**	**5,966**	**2,007**	**19,142**	**22**	**200,782**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

	Intangible assets
Cost	
As at 31 December 2012	5,862
Additions in 2013	1,140
Disposals in 2013	(151)
As at 31 December 2013	**6,851**
Accumulated depreciation	
As at 31 December 2012	(4,052)
Charge for 2013	(360)
Disposals in 2013	138
As at 31 December 2013	**(4,274)**
Carrying amount	
As at 31 December 2012	**1,810**
As at 31 December 2013	**2,577**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

The movement of the property, equipment and intangible assets for the year ended 31 December 2012 was as follows:

	Buildings	Constructions	Computers and office facilities	Vehicles	Furniture and others	Capital investments	Total
Cost							
As at 31 December 2011	177,688	16,285	16,020	5,442	21,761	-	**237,196**
Additions in 2012	-	234	1,863	1,096	7,357	-	**10,550**
Revaluation for 2012	80,375	-	-	-	-	-	**80,375**
Disposals in 2012	-	(85)	(970)	(1,301)	(877)	-	**(3,233)**
As at 31 December 2012	**258,063**	**16,434**	**16,913**	**5,237**	**28,241**	**-**	**324,888**
Accumulated depreciation							
As at 31 December 2011	(10,930)	(3,213)	(9,561)	(3,275)	(12,950)	-	**(39,929)**
Charge for 2012	(848)	(422)	(1,909)	(453)	(1,855)	-	**(5,487)**
Revaluation for 2012	(7,521)	-	-	-	-	-	**(7,521)**
Disposals in 2012	-	48	966	802	540	-	**2,356**
As at 31 December 2012	**(19,299)**	**(3,587)**	**(10,504)**	**(2,926)**	**(14,265)**	**-**	**(50,581)**
Carrying amount							
As at 31 December 2011	**166,758**	**13,072**	**6,459**	**2,167**	**8,811**	**-**	**197,267**
As at 31 December 2012	**238,764**	**12,847**	**6,409**	**2,311**	**13,976**	**-**	**274,307**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

	Intangible assets
Cost	
As at 31 December 2011	5,834
Additions in 2012	507
Disposals in 2012	(479)
As at 31 December 2012	**5,862**
Accumulated depreciation	
As at 31 December 2011	(1,466)
Charge for 2012	(3,065)
Disposals in 2012	479
As at 31 December 2012	**(4,052)**
Carrying amount	
As at 31 December 2011	**4,368**
As at 31 December 2012	**1,810**

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

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

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

As at 31 December 2013 the carrying amount of buildings would have been BYR 73,686 million had the buildings been carried under the cost model (BYR 74,430 million as at 31 December 2012).

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

12. OTHER ASSETS

	31 December 2013	31 December 2012
Property received as debt repayment	7,087	7,087
Settlements with lessor	1,507	26
Settlements with customers on investment property sale	711	11,790
Prepayments for property, equipment and construction	597	1,456
State duty	555	536
Shortages reported from accountable officers	487	339
Accrued income	442	2,434
Taxes prepaid (other than income tax)	333	494
Other	1,514	2,309
Total other assets	**13,233**	**26,471**

As at 31 December 2013 and 2012 the property transferred to the redemption of debt of "Proizvodstvenno-investicionnaya gruppa" Ltd amounted to BYR 7,087 million and included residential and nonresidential real estate.

Analysis of movements in the impairment allowance of other assets is presented below:

	31 December 2013	31 December 2012
Balance at the beginning of the year	-	4,422
Increase in allowances	-	-
Release of allowances	-	(3,631)
Net result on monetary position	-	(791)
Allowance for impairment as at the end of the year	**-**	**-**

13. BALANCES DUE TO FINANCIAL INSTITUTIONS

	31 December 2013	31 December 2012
Deposits due to financial institutions	42,383	62,037
Current accounts due to banks	4,406	33,947
Total balances due to financial institutions	**46,789**	**95,984**

As at 31 December 2013 and 2012 the Bank had no obligations towards banks exceeding 10% of the Bank's equity.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

14. CUSTOMER ACCOUNTS

	31 December 2013	31 December 2012
Business companies	295,715	326,481
Non-for-profit organisations	22,189	14,455
Transactions with e-money	8,303	6,128
Individual entrepreneurs	22,365	23,895
Individuals	474,440	493,400
Total customer accounts	**823,012**	**864,359**

As at 31 December 2013 and 2012 the Bank had no balances with clients, whose balances exceeded 10% of the Bank's equity.

15. DEBT SECURITIES ISSUED

As at 31 December 2013 and 2012 the Bank had the following securities in circulation:

	31 December 2013	31 December 2012
Bonds issued	34,474	3,992
Deposit certificates	17	19
Total debt securities issued	**34,491**	**4,011**

During 2010 JSC "Technobank" registered and issued five issues of bonds, including three issues in Belarusian roubles (the 1st, 4th and 5th issues), in Euro – the 2nd issue and in US dollars – the 3rd issue. During 2011 the Bank registered and issued three issues of bonds (the 6th, 7th and 8th issue) in Belarusian roubles. The seventh issue of bonds is non-collateralised. During 2012 the Bank has not issued new bonds. The Bank performed transactions with the bonds of the 1st, 2nd, 3rd, 5th to 8th issues.

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

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

	Maturity date	Interest rate	Amount as at 31 December 2013
Bonds of the 9th issue	11,02.2014	5.5%	2,292
Bonds of the 11th issue	22.07.2014	20%	1,448
Bonds of the 12th issue	11.11.2016	6%	30,734
Total			**34,474**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

As at 31 December 2012 the Bank had the following bonds in circulation:

	Maturity date	Interest rate	Amount as at 31 December 2012
Bonds of the 7th issue	01.08.2013	0.25%	3,992
Total			**3,992**

16. PREFERENCE SHARES

As at 31 December 2013 and 2012 the Bank issued 64,213 preference shares. As at 31 December 2013 and 2012 the par value of one share amounted to BYR 2,345 (historical cost).

During 2013 the Bank repurchased from the shareholders 75 preference shares at BYR 2,345 per share purchased (historical cost). Total amount was BYR 175,875 (historical cost).

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.

17. OTHER LIABILITIES

	31 December 2013	31 December 2012
Provisions for loan commitments	14,999	2,314
Provision for unused vacations	5,240	3,273
Payables to other creditors	2,993	1,593
Prepayments received	1,191	4,373
Tax liabilities other than income tax liabilities	-	68
Other	1,776	2,385
Total other liabilities	**26,199**	**14,006**

Analysis of movements in the provisions for loan commitments is presented below:

	31 December 2013	31 December 2012
Provision as at the beginning of the year	2,314	1,468
Increase in provision	34,474	15,943
Release of provision	(21,406)	(15,177)
Net result on monetary position	(383)	80
Total provision as at the year end	**14,999**	**2,314**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

18. EQUITY

The Bank's shareholders as at 31 December 2013 and 2012 were as follows:

	% of total issued share capital 31.12.2013	% of total issued share capital 31.12.2012
Legal entities		
Limited liability company "Kvolitas-Plus"	48.66	42.50
State Committee on Property of the Republic of Belarus	8.03	-
"Fleetwood Finance"	-	9.00
Superadded liability company "Stroytechnotrade"	2.44	2.74
Limited liability company "Megaproektstroy"	2.01	2.26
Limited liability company "Novy Standard"	1.40	1.38
FPTC "Gospak"	1.09	1.22
Individuals		
I. A. Kurach	15.62	17.50
V. A. Kotsarenko	7.52	8.42
E. M. Kotsarenko	4.61	5.16
O.V. Zverev	2.78	3.12
M. V. Nikolaevich	1.56	1.74
Other shareholders	4.28	4.96
Total	**100**	**100**

Following the decision of the Shareholders' General Meeting (minutes No.1 dated 16 January 2013) the Bank sold own shares repurchased in 2012 in the amount of 79,313 shares (78,526 ordinary shares and 787 preference shares) at BYR 1,900 per shares. Total amount was BYR 150.7 million.

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

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

During 2013 the Bank repurchased from the shareholders 2,751 shares at BYR 2,345 per share. Total amount is BYR 6 million:

- 2,676 ordinary shares at amount of BYR 6,275,220;

- 75 preference shares at amount of BYR 175,875.

The impact of hyperinflation of previous years on the share capital related to sale and repurchase of the shares was attributed to the result on net monetary position.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

19. NET INTEREST INCOME

	2013	2012
Loans to customers	112,682	118,794
Balances due from financial institutions	20,417	29,804
Financial assets available for sale	14,298	12,920
Financial assets held to maturity	-	2,417
Other interest income	80	64
Total interest income	**147,477**	**163,999**
Customer accounts	(38,467)	(61,787)
Debt securities issued	(6,345)	(9,217)
Balances due to financial institutions	(1,658)	(8,983)
Preference shares	(14)	(17)
Other interest expense	(317)	(854)
Total interest expense	**(46,801)**	**(80,858)**
Net interest income	**100,676**	**83,141**

20. NET COMMISSION AND FEE INCOME

	2013	2012
Transactions with bank plastic cards	28,001	20,580
Client accounts' maintenance	24,427	22,710
Foreign exchange transactions	7,354	6,234
Money transfers	5,325	3,200
Transactions with checks	4,799	3,042
Documentary transactions	3,432	1,400
Bank accounts' maintenance	524	6,968
Transactions with securities	284	240
Commission and fee income on loans	3	55
Other	3,457	5,898
Total commission and fee income	**77,606**	**70,327**
Transactions with bank plastic cards	(9,926)	(7,999)
Purchase (sale) of cash	(2,309)	(1,806)
Bank accounts' maintenance	(2,176)	(2,533)
Foreign exchange transactions	(586)	(645)
Documentary transactions	(254)	(376)
Transactions with securities	(88)	(101)
Other	(315)	(164)
Total commission and fee expense	**(15,654)**	**(13,624)**
Net commission and fee income	**61,952**	**56,703**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

21. NET LOSS ON FINANCIAL INSTRUMENTS

	2013	2012
Net income/ (loss) on financial assets available for sale	464	(3,973)
Net loss on financial instruments at fair value through profit or loss	(991)	(384)
Total net loss on financial instruments	**(527)**	**(4,357)**

22. NET FOREIGN EXCHANGE GAIN

	2013	2012
Exchange differences gain/ (loss)	4,773	(1,513)
Gain on foreign currency transactions	56,242	52,144
Total foreign exchange gain	**61,015**	**50,631**

23. PERSONNEL EXPENSES

	2013	2012
Remuneration	(56,696)	(48,084)
Social security contributions	(18,017)	(14,769)
Total personnel expenses	**(74,713)**	**(62,853)**

The average number of employees employed by the Bank in 2013 was 587 (in 2012 it was 530).

24. OTHER INCOME / (EXPENSES)

	2013	2012
Income from previously written-off debts	6,596	8,820
Penalties	4,343	1,274
Net (loss)/ gain from sale of property, equipment and intangible assets and other property	1,554	(138,130)
Lease payments	513	1,124
Other income	444	451
Total other income/ (expenses)	**13,450**	**(126,461)**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

25. ADMINISTRATIVE EXPENSES

	2013	2012
Repairs and maintenance	(7,231)	(4,772)
Payments to the Individual Deposits Security Fund	(5,584)	(6,063)
Taxes (other than income tax)	(5,352)	(28,196)
Rent	(4,825)	(4,103)
Communication and mail expenses	(4,415)	(4,124)
Software	(4,100)	(3,204)
Security	(2,196)	(2,016)
Stationery	(2,016)	(1,865)
Encashment	(1,849)	(1,232)
Marketing	(1,640)	(943)
Transport expenses	(1,550)	(1,498)
Insurance	(1,185)	(1,030)
Professional services	(598)	(498)
Information services	(475)	(387)
Other	(5,961)	(3,499)
Total administrative expenses	**(48,977)**	**(63,430)**

26. INCOME TAX

For the year ended 31 December 2013 the income tax rate for Belarusian banks was 18%. The same rate was used in 2012. For calculating the deferred tax in 2013 and 2012 the rate of 18% was used.

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

	2013	2012
Current income tax for the year	8,640	5,507
Deferred income tax (benefit)/ expense	(18,581)	(31,845)
Total	**(9,941)**	**(26,338)**

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.

	2013	2012
Deductible temporary differences		
Precious metals	756	137
Loans to customers	3,868	8,956
Other assets and liabilities	9,978	4,872
Total deductible temporary differences	**14,602**	**13,965**
Deferred tax asset	**2,628**	**2,514**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

	2013	2012
Taxable temporary differences		
Cash and cash equivalents	(4,025)	(9,718)
Balances due from financial institutions	(1,503)	(1,161)
Loans to customers	(40,229)	(30,423)
Property, equipment and intangible assets	(10,315)	(99,464)
Investment property	(14,165)	(32,081)
Financial assets available for sale	(1,072)	(1,059)
Total taxable temporary differences	**(71,306)**	**(173,906)**
Deferred tax liabilities	**(12,835)**	**(31,303)**
Total net tax liability	**(10,208)**	**(28,789)**

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

	2013	2012
Profit before income tax and after loss on net monetary position	25,848	(68,932)
Theoretical corporate income tax (18%)	4,653	(12,408)
Change in unrecognised deferred tax asset	-	(22,070)
Permanent differences	(14,594)	8,140
Total income tax income expense	**(9,941)**	**(26,338)**

27. 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.

In accordance with the Charter and other local Bank's regulations risks are managed by the Supervisory Board, Risk Committee, executive officer responsible for risk management system, Board of the Bank, Committee for assets and liabilities management, Loan Committee, Financial Committee, Loan Commission and other joint bodies; department managers and employees.

To avoid conflict of interests between the divisions (officers) performing risk management and the divisions generating these risks, as well as the divisions (officers) exercising internal control, the Bank constantly improves organizational structure of risk management system.

Quantitative and qualitative risks factors are defined by the Bank's local regulatory legal acts and are subject to risk profile compliance and risks assessment adequacy control.

The Supervisory Board has established acceptable levels for bank risks which are recognized as the most significant for the Bank's current risk profile. Acceptable levels of bank risks for the Bank may be reviewed based on the decision taken by the Supervisory Board.

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 the above 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 loss occurrence from non-fulfilment, undue or partial fulfilment of a debtor's contractual or legal financial obligations.

Credit risk is managed in accordance with the Bank's risk management policy. This policy details the basic principles of credit risk management, identification, assessment, restriction and control.

The aim of credit risk management is to maintain accepted 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.

(b) Liquidity risk

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

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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 owns a portfolio of various assets which are of great demand and can be quickly sold for money in case of the unforeseen cease of cash inflow. In addition the Bank has placed an obligatory deposit in the National Bank of the Republic of Belarus in the form of obligatory reserves which size depends on the size of the raised clients' funds.

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

Standard rate	**By the National Bank of the Republic of Belarus**	**2013, %**	**2012, %**
"Short-term liquidity" (ratio of assets with maturity periods less than 1 year to liabilities with maturity periods less than 1 year)	Min. 1	1.9	1.9
"Quick liquidity" (ratio of assets on demand and liabilities on demand and overdue)	Min. 20%	441.1%	397.4%
"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%	185.0%	166.7%
"Minimum ratio of liquid and total assets" (to maintain adequate ration of liquid assets)	Min. 20%	35.8%	39.4%

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

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 2013 and 31 December 2012.

31 December 2013	Carrying amount/ loan commitments	Undiscounted cash flows	Within 1 month	1 – 3 months	3 – 6 months	6 –12 months	1 – 5 years	More than 5 years	Maturity undefined
Financial liabilities									
Balances due to financial institutions	46,789	46,924	34,424	12,500	-	-	-	-	-
Customer accounts	823,012	1,161,862	632,566	81,660	73,824	153,527	214,908	5,377	-
Debt securities issued	34,491	39,895	-	2,292	1,448	-	36,138	-	17
Preference shares	166	166	-	-	-	-	-	-	166
Other financial liabilities	20,959	20,959	20,959	-	-	-	-	-	-
Total future potential cash outflows on financial liabilities	**925,417**	**1,269,806**	**687,949**	**96,452**	**75,272**	**153,527**	**251,046**	**5,377**	**183**
Loan commitments	247,887	247,887	11,174	42,046	47,404	32,452	114,811	-	-

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

31 December 2012	Carrying amount/ loan commitments	Undiscounted cash flows	Within 1 month	1 – 3 months	3 – 6 months	6 –12 months	1 – 5 years	More than 5 years	Maturity undefined
Financial liabilities									
Balances due to financial institutions	95,984	96,060	96,060	-	-	-	-	-	-
Customer accounts	864,359	879,396	553,129	12,796	8,950	17,723	286,798	-	-
Debt securities issued	4,011	4,915	-	-	-	4,896	-	-	19
Preference shares	287	287	-	-	-	-	-	-	287
Other financial liabilities	4,547	4,547	4,547	-	-	-	-	-	-
Total future potential cash outflows on financial liabilities	**969,188**	**985,205**	**653,736**	**12,796**	**8,950**	**22,619**	**286,798**	**-**	**306**
Loan commitments	166,129	166,129	166,129	-	-	-	-	-	-

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

(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 2013:

31 December 2013	BYR	EUR	USD	RUB	Other	Total
Financial assets						
Cash and cash equivalents	239,374	37,521	126,463	41,864	766	**445,988**
Precious metals	2,585	-	-	-	-	**2,585**
Balances due from financial institutions	10,596	-	8,492	-	-	**19,088**
Loans to customers	176,546	96,394	374,865	11,114	-	**658,919**
Financial assets available for sale	1,147	-	-	-	-	**1,147**
Other financial assets	436	-	5	-	-	**441**
Total financial assets	**430,684**	**133,915**	**509,825**	**52,978**	**766**	**1,128,168**
Financial liabilities						
Balances due to financial institutions	3	14,244	32,534	-	8	**46,789**
Customer accounts	282,480	108,850	386,231	45,339	113	**823,012**
Debt securities issued	1,465	-	33,026	-	-	**34,491**
Preference shares	166	-	-	-	-	**166**
Other financial liabilities	14,039	3,052	3,856	12	-	**20,959**
Total financial liabilities	**298,152**	**126,146**	**455,647**	**45,351**	**121**	**925,417**
Net long / (short) financial position	**122,052**	**7,769**	**54,178**	**7,627**	**645**	**192,271**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

The table below provides the analysis of the Bank's financial assets and financial liabilities by currency profile as at 31 December 2012:

31 December 2013	BYR	EUR	USD	RUB	Other	Total
Financial assets						
Cash and cash equivalents	317,704	68,584	38,983	34,449	929	**460,649**
Precious metals	3,629	-	-	-	-	**3,629**
Balances due from financial institutions	9,548	6,700	1	-	-	**16,249**
Loans to customers	161,327	435,194	53,298	18,172	-	**667,991**
Financial assets available for sale	1,147	-	-	-	-	**1,147**
Financial assets at fair value through profit or loss	1	-	-	-	-	**1**
Other financial assets	2,361	28	51	-	-	**2,440**
Total financial assets	**495,717**	**510,506**	**92,333**	**52,621**	**929**	**1,152,106**
Financial liabilities						
Balances due to financial institutions	136	82,600	13,106	134	8	**95,984**
Customer accounts	281,961	418,825	126,666	36,902	5	**864,359**
Debt securities issued	4,011	-	-	-	-	**4,011**
Preference shares	287	-	-	-	-	**287**
Other financial liabilities	2,259	1,401	754	127	6	**4,547**
Total financial liabilities	**288,654**	**502,826**	**140,526**	**37,163**	**19**	**969,188**
Net long / (short) financial position	**207,063**	**7,680**	**(48,193)**	**15,458**	**910**	**182,918**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

Sensitivity analysis - Currency risk

A 10 % strengthening of the BYR against the following currencies as at 31 December 2013 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 2012.

	Impact on profit before tax	Impact on equity
31 December 2013		
EUR	(777)	(637)
USD	(5,418)	(4,443)
RUB	(763)	(625)
Other currencies	(65)	(53)
31 December 2012		
EUR	(768)	(630)
USD	4,819	3,952
RUB	(1,546)	(1,268)
Other currencies	(91)	(75)

A weakening of BYR against the above currencies at 31 December 2013 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, on duration 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 by the amounts shown below. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Impact on profit before tax		Impact on equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2013				
Floating rate instruments	(31)	31	(26)	26
31 December 2012				
Floating rate instruments	(23)	23	(19)	19

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

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

(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 2013 is presented as follows:

31 December 2013	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	404,833	28,914	12,241	**445,988**
Precious metals	2,585	-	-	**2,585**
Balances due from financial institutions	19,088	-	-	**19,088**
Loans to customers	658,919	-	-	**658,919**
Financial assets available for sale	863	284	-	**1,147**
Other financial assets	441	-	-	**441**
Total financial assets	**1,086,729**	**29,198**	**12,241**	**1,128,168**
Financial liabilities				
Balances due to financial institutions	46,560	-	229	**46,789**
Customer accounts	811,186	1,279	10,547	**823,012**
Debt securities issued	34,491	-	-	**34,491**
Preference shares	166	-	-	**166**
Other financial liabilities	20,959	-	-	**20,959**
Total financial liabilities	**913,362**	**1,279**	**10,776**	**925,417**
Net financial position	**162,887**	**27,919**	**1,465**	**192,271**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

The geographical analysis of assets and liabilities of the Bank as at 31 December 2012 is presented as follows:

31 December 2012	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	420,232	26,214	14,203	**460,649**
Precious metals	3,629	-	-	**3,629**
Balances due from financial institutions	15,767	482	-	**16,249**
Loans to customers	667,991	-	-	**667,991**
Financial assets available for sale	863	284	-	**1,147**
Financial assets at fair value through profit or loss	1	-	-	**1**
Other financial assets	2,440	-	-	**2,440**
Total financial assets	**1,110,923**	**26,980**	**14,203**	**1,152,106**
Financial liabilities				
Balances due to financial institutions	95,708	-	276	**95,984**
Customer accounts	847,224	1,282	15,853	**864,359**
Debt securities issued	4,011	-	-	**4,011**
Preference shares	287	-	-	**287**
Other financial liabilities	4,547	-	-	**4,547**
Total financial liabilities	**951,777**	**1,282**	**16,129**	**969,188**
Net financial position	**159,146**	**25,698**	**(1,926)**	**182,918**

(e) Operational risk

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

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

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

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;

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

(f) Capital management

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

Capital adequacy

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 2013, the Bank was in compliance with the capital adequacy requirements set in the Belarusian Law and NB RB regulations.

Calculated in accordance with the requirements of the National Bank of the Republic of Belarus Tier I capital and Tier II capital adequacy ratio for the year ended 31 December 2013 equalled to 20.9%, and 12.9% respectively (31 December 2012: 28.1% and 12.2% respectively).

During 2013 the Bank complied with the capital adequacy requirements but failed to meet the requirements of the National Bank requirements related to the minimum size of Tier I capital for the banks enabled to implement banking transactions on attraction of money from individuals to deposits and (or) on opening and maintaining of banking accounts of such persons (25 million Euro).

The size of Tier I capital as at 1 January 2014 was 23.28 million Euro (as at 1 January 2013 it was 21.67 million Euro).

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

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

28. 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:

	2013	2012
Less than 1 year	831	218
From 1 to 5 years	-	551
Total operating lease commitments	**831**	**769**

(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 commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

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

Loan commitments of the Bank were as following:

	2013	2012
Guarantees issued	157,430	98,726
Unwithdrawn loan facilities	83,618	58,412
Letters of credit	6,839	8,991
Total loan commitments	**247,887**	**166,129**
Less provisions for loan commitments	(14,999)	(2,314)
Total	**232,888**	**163,815**

(c) Litigation

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

(d) Pension payments

The Bank's employees receive pension in accordance with the law of the Republic of Belarus. As at 31 December 2013 and 31 December 2012 the Bank has no obligations for additional payments, pension medical services, insurance, pension benefits for current or former employees to be charged.

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

(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.

29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities at fair value

As at 31 December 2013 the Bank had no financial assets and liabilities at fair value.

31 December 2013	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	-	-	-

31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	-	1	-	1

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

Comparison of carrying amount and fair value by the financial instruments is presented in the table below. Fair value of non-financial assets and non-financial liabilities is not given in the table:

31 December 2013	Carrying amount as at 31 December 2013	Fair value as at 31 December 2013
Financial assets		
Cash and cash equivalents	445,988	445,988
Precious metals	2,585	2,585
Balances due from financial institutions	19,088	19,088
Loans to customers	658,919	658,919
Financial assets available for sale	1,147	1,147
Other financial assets	441	441
Total financial assets	**1,128,168**	**1,128,168**
Financial liabilities		
Balances due to financial institutions	46,789	46,789
Customer accounts	823,012	823,012
Debt securities issued	34,491	34,491
Preference shares	166	166
Other financial liabilities	20,959	26,199
Total financial liabilities	**925,417**	**930,657**

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

31 December 2012	Carrying amount as at 31 December 2012	Fair value as at 31 December 2012
Financial assets		
Cash and cash equivalents	460,649	460,649
Precious metals	3,629	3,629
Balances due from financial institutions	16,249	16,249
Loans to customers	667,991	667,991
Financial assets available for sale	1,147	1,147
Financial assets at fair value through profit or loss	1	1
Other financial assets	2,440	2,440
Total financial assets	**1,152,106**	**1,152,106**
Financial liabilities		
Balances due to financial institutions	95,984	95,984
Customer accounts	864,359	864,359
Debt securities issued	4,011	4,011
Preference shares	287	287
Other financial liabilities	4,547	4,547
Total financial liabilities	**964,646**	**964,646**

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

Assets with fair value approximating its carrying amount

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

Fixed and floating rate financial instruments

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

30. RELATED PARTY TRANSACTIONS

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

(in millions of Belarusian roubles in terms of the purchasing power of the Belarusian rouble as of 31 December 2013)

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

	31 December 2013	**31 December 2012**
Customer accounts	392	-
Total	**392**	**-**

	31 December 2013	**31 December 2012**
Loans to customers		
Loan debt	121,017	88,256
Allowance for impairment of loans to customers	(13,488)	(8,826)
Total	**107,529**	**79 430**

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

	2013	**2012**
Interest and Commission and fee income and expenses:		
Interest income	11,527	12,822
Interest expense	(198)	(45)
Commission and fee income	158	205
Total	**11,487**	**12,982**

	2013	**2012**
Rent	(802)	(301)
Net gain from sale of property, equipment and intangible assets and other property	-	6,303
Total other (expenses)/ income	**(802)**	**6,002**

	2013	**2012**
Remuneration to key management personnel	7,611	6,785
Total	**7,611**	**6,785**