CJSC “Alfa-Bank”

International Financial Reporting Standards
Financial Statements and
Independent Auditor’s Report

31 December 2014

CONTENTS

Independent Auditor's Report

To the Shareholders and Supervisory Board of CJSC "Alfa-Bank"

1 We have audited the accompanying financial statements of Closed Joint-Stock Company "Alfa-Bank" (the "Bank") which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

PricewaterhouseCoopers Assurance, Unitary Enterprise on Services Rendering

10 March 2015
Minsk, Republic of Belarus

"PricewaterhouseCoopers Assurance", Unitary Enterprise on Services Rendering
40, Orlovskaya street, office 39, 220053 Minsk, Belarus
T: +375 (17) 335 4000, F:+375 (17) 335 4111, www.pwc.by

In millions of Belarusian roubles	Note	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	7	1,049,241	1,382,075
Mandatory cash balances with the National Bank of Belarus		40,987	51,682
Due from other banks	8	336,053	109,249
Loans and advances to customers	9	5,416,403	4,621,535
Investment securities available for sale	10	178,161	95,235
Derivative financial assets	33	639,090	562,437
Current income tax asset		11,625	13,956
Deferred income tax asset	27	4,728	-
Premises, equipment and intangible assets	11	443,193	412,259
Other financial assets	12	15,701	25,796
Other assets	13	35,561	53,314
TOTAL ASSETS		**8,170,743**	**7,327,538**
LIABILITIES			
Due to other banks	14	2,054,481	1,299,754
Customer accounts	15	4,326,351	4,168,173
Debt securities in issue	16	326,285	527,605
Derivative financial liabilities	33	-	1,337
Current income tax liability		14,969	7,739
Deferred income tax liability	27	-	3,004
Other financial liabilities	17	57,847	82,033
Other liabilities	18	76,053	36,698
Subordinated debt	19	88,010	378,492
TOTAL LIABILITIES		**6,943,996**	**6,504,835**
EQUITY			
Share capital	20	1,063,410	778,919
Revaluation reserve for investment securities available for sale		(6,153)	(613)
Revaluation reserve for property, plant and equipment	21	58,677	31,573
Retained earnings		110,813	12,824
TOTAL EQUITY		**1,226,747**	**822,703**
TOTAL LIABILITIES AND EQUITY		**8,170,743**	**7,327,538**

Approved for issue and signed on behalf of the Management board on 10 March 2015.

Igor V. Katibnikov
Chairman of the Management Board

Nikita V. Gulyaev
Chief Financial Officer

In millions of Belarusian roubles	Note	2014	2013
Interest income	22	801,224	805,027
Interest expense	22	(456,031)	(526,389)
Net interest income		**345,193**	**278,638**
Allowance for impairment of loans to customers	9	(130,191)	(61,902)
Net interest income after allowance for loan impairment		**215,002**	**216,736**
Fee and commission income	23	316,373	234,023
Fee and commission expense	23	(60,838)	(53,853)
Gains less losses from financial derivatives	33	145,981	85,455
Gains less losses from trading in foreign currencies		96,682	121,660
Foreign exchange translation gains less losses		6,147	(30,602)
Loss on monetary position	24	(77,442)	(60,075)
Gains less losses from disposals of investment securities available for sale		43	2,289
Other provisions (charge)/ recovery	12, 32	(2,438)	7,893
Other operating income	25	9,106	9,487
Administrative and other operating expenses	26	(497,961)	(486,686)
Profit before tax		**150,655**	**46,327**
Income tax expense	27	(21,405)	(17,528)
PROFIT FOR THE YEAR		**129,250**	**28,799**
Other comprehensive income:			
Available-for-sale investments:			
- Gains less losses arising during the year	21	(5,497)	684
- Gains less losses recycled to profit or loss upon disposal	21	(43)	(2,289)
Revaluation of premises and equipment	21	36,139	38,503
Income tax recorded directly in other comprehensive income	21	(9,035)	(6,930)
Other comprehensive income for the year		**21,564**	**29,968**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**150,814**	**58,767**

In millions of Belarusian roubles	**Note**	**Share capital**	**Revaluation reserve for property, plant and equipment**	**Revaluation reserve for investment securities available for sale**	**Retained earnings**	**Total equity**
At 1 January 2013		**636,094**	-	**992**	**143,955**	**781,041**
Profit for the year		-	-	-	28,799	28,799
Other comprehensive income/ (loss)	21	-	31,573	(1,605)	-	29,968
Total comprehensive income for 2013		-	31,573	(1,605)	28,799	58,767
Share issue	20	142,825	-	-	(142,825)	-
Dividends declared and paid	28	-	-	-	(17,105)	(17,105)
Balance at 31 December 2013		**778,919**	**31,573**	**(613)**	**12,824**	**822,703**
Profit for the year		-	-	-	129,250	129,250
Other comprehensive income/ (loss)	21	-	27,104	(5,540)	-	21,564
Total comprehensive income for 2014		-	27,104	(5,540)	129,250	150,814
Share issue	20	284,491	-	-	-	284,491
Dividends declared and paid	28	-	-	-	(31,261)	(31,261)
Balance at 31 December 2014		**1,063,410**	**58,677**	**(6,153)**	**110,813**	**1,226,747**

In millions of Belarusian roubles	Note	2014	2013
Cash flows from operating activities			
Interest received		788,735	802,858
Interest paid		(461,016)	(526,389)
Fees and commissions received		321,449	234,437
Fees and commissions paid		(64,223)	(56,562)
Income received from financial derivatives		67,991	81,555
Income received from trading in foreign currencies		96,682	121,660
Other operating income received		11,216	9,718
Staff costs paid		(204,681)	(212,279)
Administrative and other operating expenses paid		(256,542)	(233,086)
Effect on monetary position		17,996	63,496
Income tax paid		(43,907)	(11,930)
Cash flows from operating activities before changes in operating assets and liabilities		**273,700**	**273,478**
Net (increase)/decrease in:			
- mandatory balances in central bank		10,695	(7,895)
- due from other banks		(213,818)	(58,803)
- loans and advances to customers		(354,519)	(247,299)
- other financial assets		18,365	17,346
- other assets		30,304	57,319
Net increase/(decrease) in:			
- due to other banks		619,111	58,855
- customer accounts		(268,510)	(484,200)
- debt securities in issue		(223,076)	395,666
- other financial liabilities		(26,989)	(37,775)
- other liabilities		32,409	8,742
Net cash used in operating activities		**(102,328)**	**(24,566)**
Cash flows from investing activities			
Acquisition of investment securities available for sale		(2,037,417)	(239,403)
Proceeds from disposal and redemption of investment securities available for sale		1,982,619	418,995
Acquisition of premises, equipment and intangible assets	11	(34,681)	(52,195)
Proceeds from disposal of premises, equipment and intangible assets		925	4,262
Net cash from investing activities		**(88,554)**	**131,659**
Cash flows from financing activities			
Proceeds from subordinated debt		-	169,664
Dividends paid	28	(31,261)	(17,105)
Net cash from financing activities		**(31,261)**	**152,559**
Effect of exchange rate changes on cash and cash equivalents		53,594	48,623
Monetary loss on cash and cash equivalents		(164,285)	(182,321)
Net (decrease)/increase in cash and cash equivalents		**(332,834)**	**125,954**

In millions of Belarusian roubles	**Note**	**2014**	**2013**
Cash and cash equivalents at the beginning of the year		1,382,075	1,256,121
Cash and cash equivalents at the end of the year	**3, 7**	**1,049,241**	**1,382,075**

Financing transactions that did not require the use of cash and cash equivalents were excluded from the statement of cash flows and are disclosed in Note 7.

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2014 for Closed Joint-Stock Company ”Alfa-Bank“ (the “Bank”).

Closed Joint-Stock Company ”Alfa-Bank“ (former title “International Trade and Investment Bank”) was registered by the National Bank of the Republic of Belarus (the “National Bank of Belarus”) on 28 January 1999 as a closed joint-stock company with foreign capital participation. In July 2008 the Bank was acquired by the consortium Alfa-Group as a result of which the Bank registered a new name – Closed Joint-Stock Company “Alfa-Bank”. On18 December 2012 the parent company of the Bank (ABH Belarus Limited) has acquired 99,999985 % of the share capital of CJSC “Alfa-Bank Finance” (former JSC “Belrosbank” which was renamed to CJSC “Alfa-Bank Finance” following the decision of shareholders as at 9 January 2013). On 10 April 2013 the shareholders of both banks has made a decision on a legal merger of CJSC “Alfa-Bank” and CJSC “Alfa-Bank Finance” into a single legal entity named CJSC “Alfa-Bank". The merger was registered by the National Bank of Belarus on 14 June 2013. In September 2014 the subordinated debt from Joint-Stock Company "Alfa-Bank" (Russia) was converted to the share capital of the Bank, causing an increase in the ownership of Joint-Stock Company "Alfa-Bank" (Russia).

As at 31 December 2014 and 2013 the following shareholders owned the issued shares of the Bank:

	2014	**2013**
Joint-Stock Company "Alfa-Bank", Russia	55.0	11.7
ABH Belarus Limited, Cyprus	44.8	87.2
Republican Unitary Enterprise “Byelorussian Steel works”, Belarus	0.1	0.2
Individuals	0.1	0.1
Vikash Investments Limited, UK	-	0.8
Total	**100.0**	**100.0**

The ultimate controlling parties of the Bank as at 31 December 2014 and 2013 were the owners of the consortium Alfa-Group: Mr. Michail Maratovich Fridman, Mr. German Borisovich Khan and Mr. Aleksei Viktorovich Kuzmichev (citizens of the Russian Federation).

Principal activity. The Bank’s principal business activity is commercial and retail banking operations within the Republic of Belarus. The Bank conducts its business under the license for performing banking operations # 22 issued by the National Bank of Belarus on 14 July 2014. The Bank also has the licence of the State Securities Committee of the Republic of Belarus for intermediary, commercial and consulting activities on securities market of the Republic of Belarus.

The Bank’s primary areas of operations include transferring payments, lending, foreign currency operations upon demand of its customers and on interbank market. The licence allows the Bank to maintain accounts and attract term deposits from individuals and corporate customers. The State Agency of Guaranteed Compensation of Individual Deposits guarantees repayment of 100% of individual deposits in the case of the withdrawal of a licence of a bank or a state imposed moratorium on payments.

As at 31 December 2014 the Bank had 40 banking service offices in the Republic of Belarus (2013: 39).

The average number of employees of the Bank during 2014 and 2013 was 1,219 and 1,009 respectively.

As at 31 December 2014 and 2013 the Bank has neither subsidiaries nor associates.

Registered address and place of business. The Bank’s registered address is: 43-47 Surganova Str., Minsk, Republic of Belarus.

Presentation currency. These financial statements are presented in millions of Belarusian Roubles ("BYR"), unless otherwise stated.

2 Operating Environment of the Bank

Republic of Belarus. The Republic of Belarus displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation which contributes to the challenges faced by banks operating in the Republic of Belarus (Note 32).

At the end of December 2014 the situation on currency exchange market of the Republic of Belarus was unstable.

As at 19 December 2014, the National Bank of Belarus prohibited banks from all direct foreign currency transactions with exception for transactions of sale and purchase of foreign currency from private persons. All legal entities were allowed to sell or purchase foreign currency via the Belarusian Currency and Stock Exchange only.

As at 20 December 2014 the National Bank of Belarus has introduced a 30% tax on purchases of foreign currency at the Belarusian Currency and Stock Exchange. Starting from 29 December the National Bank of Belarus reduces the tax to 20% simultaneously devaluing the Belarusian rouble against foreign currencies. Total devaluation of the Belarusian rouble compared to US dollar and Euro was 24.47% and 9.5% for the year 2014, respectively.

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Belorussian financial and corporate sectors. Management determined loan impairment provisions using the ‘incurred loss’ model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

The future economic development of the Republic of Belarus is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Bank’s business in the current business and economic environment.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of premises, available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Hyperinflation accounting. In 2011 the economy of Belarus was recognised as hyperinflationary since numerous characteristics of the economic environment provided in IAS 29 “Financial Reporting in Hyperinflationary Economies” have been met. Those characteristics have been met in 2012, 2013 and 2014 as well.Following this recognition, the Bank restated its financial statements in accordance with IAS 29. This standard requires that financial statements of the entity, whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of the measuring unit current at the end of the reporting period.

In accordance with IAS 29, the Bank's financial statements and the corresponding figures for the previous periods have been restated for the change in the general purchasing power of the Belarusian rouble and, as a result, have been presented in terms of the measuring unit current at the end of the reporting period:

a) Statement of financial position amounts not already expressed in terms of the measuring unit current at the end of the reporting period are restated by applying a price index from the month of acquisition. The restated amount of a non-monetary item is reduced in accordance with appropriate IFRS, when it exceeds its recoverable amount;
b) Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period;
c) Items in the statement of comprehensive income are restated by applying the change in the price index from the month when the items of income and expenses were initially recorded in the financial statements;
d) The Bank's monetary assets exceed its monetary liabilities which results in loosing purchasing power in a period of inflation. The corresponding loss on net monetary position is included in profit or loss and is separately disclosed;
e) All items in the statement of cash flows are restated to be expressed in terms of the measuring unit current at the end of the reporting period. Monetary loss is presented as effect of inflation as a reconciling item in the cash and cash equivalents reconciliation;
f) Corresponding figures for the previous reporting period are restated by applying a price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period;
g) Some of the Bank's assets and liabilities are based on a historic cost approach, but some items in the statement of financial position are based on a current cost approach.

The Bank has chosen Belarusian monthly consumer price index as a general price index for restatement of these financial statements. The restatement is based on monthly conversion factors derived from the Consumer Price Index (CPI) compiled by the National Statistical Committee of the Republic of Belarus. The indices and conversion factors used are as follows:

Year	Annual change in Consumer Price Index, % (Inflation in %)	Consumer Price Index accumulated at year end from 31 December 2005	Conversion factor from the end of the year till 31 December 2014
2014	16.2	564.2	1.000
2013	16.5	485.5	1.162
2012	21.8	416.7	1.354
2011	108.7	342.1	1.649
2010	9.9	163.9	3.441
2009	10.1	149.1	3.786
2008	13.3	135.4	4.159
2007	12.1	119.5	4.718
2006	6.6	106.6	5.283
2005		100.0	5.624

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (ie a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Bank: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Bank uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards, which are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the currency swaps, foreign exchange forwards.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are convertible to known amounts of cash within a day and which are subject to an insignificant risk of changes in value. All short-term placements with other banks, beyond overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the National Bank of Belarus. Mandatory cash balances with the National Bank of Belarus represent mandatory reserve deposits with the Central Bank of the Republic of Belarus, which are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Mandatory cash balances with the National Bank of Belarus are carried at amortised cost.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed.

This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related allowance for impairment after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Credit related commitments. The Bank issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognised as revenue on a time proportion basis over the respective commitment period.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Investments classified as loans and receivables. Debt investment securities are classified by the Bank into "loans and receivables" measurement category if there is no active market for such securities and the Bank does not intend to sell them immediately or in the nearest term.

Such investment securities are accounted at amortised costs similarly to loans and advances to customers and disclosed within "Loans and advances to customers" line in the statement of financial position.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Premises and equipment. From the year 2013 the Bank started to use revaluation model for premises. Premises are stated at revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises and equipment included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

Equipment is stated at cost restated to the equivalent purchasing power of the Belarusian Rouble at 31 December 2014 according to IAS 29 "Financial Reporting in Hyperinflationary Economies" less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset’s fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset’s value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Premises	1 to 125
Office and computer equipment	4 to 50

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Bank’s intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 2 to 10 years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Finance lease receivables. Where the Bank is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease. Finance income from leases is recorded within interest income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of finance lease receivables. The Bank uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables’ net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

***Debt securities in issue**.* Debt securities in issue include bonds and debentures issued by the Bank. Debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Subordinated debt. Subordinated debt ranks behind all other creditors in case of liquidation. Subordinated debt is carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts and currency and interest rate swaps, are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative*.* Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses from financial derivatives). The Bank does not apply hedge accounting.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse.

Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management’s best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Belarusian legislation identifies current year net profit as the basis for distribution.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and the Bank's presentation currency is the national currency of the Republic of Belarus, Belarusian rouble ("BYR").

Monetary assets and liabilities are translated into the Bank's functional currency at the official exchange rate of the National Bank of Belarus at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at year-end official exchange rates of the National Bank of Belarus, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

At 31 December 2014, the principal rate of exchange used for translating foreign currency balances was USD 1 = BYR 11,850 (2013: USD 1 = BYR 9,510). The principal average rate of exchange used for translating income and expenses was USD 1 = BYR 10,216 (2013: USD 1 = BYR 8,876).

Fiduciary assets. Assets held by the Bank in its own name, but on the account of third parties, are not reported in the statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Staff costs and related contributions. Wages, salaries, contributions to the Republic of Belarus state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting**.** Segments are reported in a manner consistent with the internal reporting provided to the Bank’s chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. The following table provides information for each line item in the statement of financial position which combines amounts expected to be recovered or settled before and after twelve months after the reporting period:

	31 December 2014			31 December 2013		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In millions of Belarusian roubles	Within 12 months after the reporting period	After12 months after the reporting period	Total	Within 12 months after the reporting period	After12 months after the reporting period	Total
ASSETS						
Cash and cash equivalents	1,049,241	-	1,049,241	1,382,075	-	1,382,075
Mandatory cash balances with the National Bank of Belarus	-	40,987	40,987	-	51,682	51,682
Due from other banks	303,631	32,422	336,053	109,249	-	109,249
Loans and advances to customers	3,992,718	1,423,685	5,416,403	3,559,448	1,062,087	4,621,535
Investment securities available for sale	-	178,161	178,161	-	95,235	95,235
Derivative financial assets	302,874	336,216	639,090	94	562,343	562,437
Current income tax asset	11,625	-	11,625	13,956	-	13,956
Deferred income tax asset	-	4,728	4,728	-	-	-
Premises, equipment and intangible assets	-	443,193	443,193	-	412,259	412,259
Other financial assets	11,873	3,828	15,701	25,594	202	25,796
Other assets	33,316	2,245	35,561	44,440	8,874	53,314
TOTAL ASSETS	**5,705,278**	**2,465,465**	**8,170,743**	**5,134,856**	**2,192,682**	**7,327,538**
LIABILITIES						
Due to other banks	1,706,830	347,651	2,054,481	1,076,355	223,399	1,299,754
Customer accounts	3,692,005	634,346	4,326,351	3,798,663	369,510	4,168,173
Debt securities in issue	107,923	218,362	326,285	242,877	284,728	527,605
Derivative financial liabilities	-	-	-	1,337	-	1,337
Current income tax liability	14,969	-	14,969	7,739	-	7,739
Deferred income tax liability	-	-	-	-	3,004	3,004
Other financial liabilities	25,819	32,028	57,847	64,015	18,018	82,033
Other liabilities	76,045	8	76,053	36,698	-	36,698
Subordinated debt	-	88,010	88,010	-	378,492	378,492
TOTAL LIABILITIES	**5,623,591**	**1,320,405**	**6,943,996**	**5,227,684**	**1,277,151**	**6,504,835**

Changes in presentation. No reclassifications have been made to the financial statements as at 31 December 2013 and for the year then ended to conform to the current year presentation.

Amendments of the financial statements after issue. The Bank's shareholders and management have the power to amend the financial statements after issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of BYR 136,414 million (2013: BYR 108,058 million), respectively.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to foreign exchange forward contracts and swaps. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of fixed payable. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

The currency swap with the National Bank of Belarus is categorised under the third level of fair value hierarchy since their fair value is assessed with significant non-observable inputs (Level 3). The Bank used discounting cash flow technique to determine the fair value of this swap. Interest rates used in this assessment are based on the Bank’s judgment for long-term cost of borrowing in Belarusian roubles and placement in US dollars. Information about fair values of the swap with the National Bank of Belarus valued using assumptions that are not based on observable market data and its sensitivity to reasonably possible changes in assumptions is disclosed in Note 34.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 36.

Accounting for deferred tax from premises revaluation. The Bank believes that there is no clear established relationship between the accounting revaluation and the tax revaluation of premises. Accordingly, the effect of adjustment of the tax base due to accounting revaluation was recognised in other comprehensive income while the effect of adjustment of tax base due to tax revaluation was recognised in profit and loss.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Bank from 1 January 2014:

"Offsetting Financial Assets and Financial Liabilities" - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of 'currently has a legally enforceable right of set-off' and that some gross settlement systems may be considered equivalent to net settlement. The standard clarified that a qualifying right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy. The amended standard had no impact on the Bank's financial statements.

"Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities" (issued on 31 October 2012 and effective for annual periods beginning 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The amended standard had no impact on the Bank's financial statements.

IFRIC 21 – "Levies" (issued on 20 May 2013 and effective for annual periods beginning 1 January 2014). The interpretation clarifies the accounting for an obligation to pay a levy that is not income tax. The obligating event that gives rise to a liability is the event identified by the legislation that triggers the obligation to pay the levy. The fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern assumption, does not create an obligation. The same recognition principles apply in interim and annual financial statements. The application of the interpretation to liabilities arising from emissions trading schemes is optional. The interpretation had no impact on the Bank's financial statements.

Amendments to IAS 36 – "Recoverable amount disclosures for non-financial assets" (issued in May 2013 and effective for annual periods beginning 1 January 2014; earlier application is permitted if IFRS 13 is applied for the same accounting and comparative period). The amendments remove the requirement to disclose the recoverable amount when a CGU contains goodwill or indefinite lived intangible assets but there has been no impairment. The amended standard had no impact on the Bank's financial statements.

Amendments to IAS 39 – "Novation of Derivatives and Continuation of Hedge Accounting" (issued in June 2013 and effective for annual periods beginning 1 January 2014).The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated (i.e parties have agreed to replace their original counterparty with a new one) to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met. The amended standard had no impact on the Bank's financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Bank has not early adopted.

IFRS 9 "Financial Instruments: Classification and Measurement" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.•

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Bank is currently assessing the impact of the new standard on its financial statements.

Amendments to IAS 19 – "Defined benefit plans: Employee contributions" (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service. The amendment is not expected to have any material impact on the Bank's financial statements.

Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014, unless otherwise stated below). The improvements consist of changes to seven standards. IFRS 2 was amended to clarify the definition of a 'vesting condition' and to define separately 'performance condition' and 'service condition'; The amendment is effective for share-based payment transactions for which the grant date is on or after 1 July 2014. IFRS 3 was amended to clarify that (1) an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, and (2) all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss. Amendments to IFRS 3 are effective for business combinations where the acquisition date is on or after 1 July 2014. IFRS 8 was amended to require (1) disclosure of the judgements made by management in aggregating operating segments, including a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics, and (2) a reconciliation of segment assets to the entity's assets when segment assets are reported. The basis for conclusions on IFRS 13 was amended to clarify that deletion of certain paragraphs in IAS 39 upon publishing of IFRS 13 was not made with an intention to remove the ability to measure short-term receivables and payables at invoice amount where the impact of discounting is immaterial. IAS 16 and IAS 38 were amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. IAS 24 was amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity ('the management entity'), and to require to disclose the amounts charged to the reporting entity by the management entity for services provided. The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards. The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented. IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself. The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9. IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016). IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard.

Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016). This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The Bank is currently assessing the impact of the amendments on its financial statements.

Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016). In this amendment, the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Bank is currently assessing the impact of the amendments on its financial statements.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2017). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed. The Bank is currently assessing the impact of the new standard on its financial statements.

Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016). The amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms, which now should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufact uring. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The Bank is currently assessing the impact of the amendments on its financial statements.

Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016). The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Bank is currently assessing the impact of the amendments on its financial statements.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Bank is currently assessing the impact of the amendments on its financial statements.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards. IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from "held for sale" to "held for distribution" or vice versa) does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34. The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of "information disclosed elsewhere in the interim financial report". The Bank is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank’s financial statements.

7 Cash and Cash Equivalents

In millions of Belarusian roubles	**2014**	**2013**
Cash on hand	298,281	254,624
Correspondent accounts with the National Bank of Belarus	484,009	660,136
Receivable from the National Bank of Belarus under settlements for trading at Belarusian foreign currency and stock exchange	23,655	173,662
Correspondent accounts and overnight placements with other banks	243,296	293,653
Total cash and cash equivalents	**1,049,241**	**1,382,075**

The credit quality of cash and cash equivalents balances may be summarised based on ratings of international rating agencies as follows at 31 December 2014:

In millions of Belarusian roubles	**Correspondent accounts with the National Bank of Belarus**	**Receivable from the National Bank of Belarus under settlements for trading at Belarusian foreign currency and stock exchange**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
- National Bank of Republic of Belarus	484,009	23,655	-	**507,664**
- A- to A+ rated	-	-	156,354	**156,354**
- BBB	-	-	49,497	**49,497**
- <BBB	-	-	34,226	**34,226**
- Unrated	-	-	3,219	**3,219**
Total cash and cash equivalents, excluding cash on hand	**484,009**	**23,655**	**243,296**	**750,960**

The credit quality of cash and cash equivalents balances may be summarised based on ratings of international rating agencies as follows at 31 December 2013:

In millions of Belarusian roubles	**Correspondent accounts with the National Bank of Belarus**	**Receivable from the National Bank of Belarus under settlements for trading at Belarusian foreign currency and stock exchange**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
- National Bank of Republic of Belarus	660,136	173,662	-	**833,798**
- A- to A+ rated	-	-	212,651	**212,651**
- BBB	-	-	21,850	**21,850**
- <BBB	-	-	55,968	**55,968**
- Unrated	-	-	3,184	**3,184**
Total cash and cash equivalents, excluding cash on hand	**660,136**	**173,662**	**293,653**	**1,127,451**

The credit ratings are based on Standard & Poor's ratings where available, or Moody's and Fitch's rating converted to the nearest equivalent on the Standard & Poor's rating scale.

The cash and cash equivalents are not secured with collateral.

As at 31 December 2014 and 2013 cash and cash equivalents included balances in the amount of BYR 484,009 million (64%) and BYR 758,232 million (67%) placed with 1 bank (2013: 2 banks) respectively, which represents significant concentration.

Interest rate analysis of cash and cash equivalents is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

8 Due from Other Banks

In millions of Belarusian roubles	2014	2013
Loans and term deposits with banks	303,631	78,462
Placements with other banks as collateral	32,422	30,787
Total due from other banks	**336,053**	**109,249**

Amounts due from other banks are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2014 and 2013 is as follows:

In millions of Belarusian roubles	2014	2013
Neither past due nor impaired		
- Belarusian banks	330,638	108,696
- Other CIS banks	5,415	553
Total due from other banks	**336,053**	**109,249**

The primary factor that the Bank considers in determining whether a deposit is impaired is its overdue status. There were no overdue amounts due from other banks at 31 December 2014 and 2013. There was no allowance for impairment of due from other banks in 2014 and 2013. At 31 December 2014 the Bank had balances with 5 counterparty banks (2013: 4 banks).

Refer to Note 34 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

9 Loans and Advances to Customers

In millions of Belarusian roubles	2014	2013
Corporate loans	4,215,968	3,188,267
Loans to small and medium enterprises (SME)	458,916	571,081
Finance lease receivables	111,246	149,957
Corporate bonds classified as loans and receivables	58,340	42,624
Loans to individuals	804,996	807,049
Less: Allowance for loan impairment	(233 063)	(137,443)
Total loans and advances to customers	**5,416,403**	**4,621,535**

In millions of Belarusian Roubles	2014	2013
Loans to individuals - credit cards	509,953	341,760
Loans to individuals - consumer loans	102,939	237,535
Loans to individuals - mortgage loans	178,223	189,752
Loans to individuals - car loans	13,881	38,002
Less: Allowance for loan impairment	(43,596)	(9,607)
Total loans to individuals	**761,400**	**797,442**

Movements in the allowance for loan impairment during 2014 are as follows:

In millions of Belarusian roubles	Corporate loans	Loans to small and medium enterprises (SME)	Finance lease receivables	Corporate bonds classified as loans and receivables	Loans to individuals	Total
Allowance for loan impairment at 1 January 2014	**93,604**	**27,427**	**3,977**	**2,828**	**9,607**	**137,443**
(Release of)/provision for impairment during the year*	63,257	22,612	(107)	78	59,567	145,407
Amounts written off during the year as uncollectible	-	(24,992)	(711)	-	(26,246)	(51,949)
Currency translation differences	17,254	2,289	234	(462)	2,007	21,322
Monetary gain	(13,049)	(3,823)	(555)	(394)	(1,339)	(19,160)
Allowance for loan impairment at 31 December 2014	**161,066**	**23,513**	**2,838**	**2,050**	**43,596**	**233,063**

*The provision for impairment during 2014 differs from the amount presented in profit or loss for the year due to BYR 15,216 million recoveries of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provision for impairment line in profit or loss for the year.

Movements in the allowance for loan impairment during 2013 are as:

In millions of Belarusian roubles	Corporate loans	Loans to small and medium enterprises (SME)	Finance lease receivables	Corporate bonds classified as loans and receivables	Loans to individuals	Total
Allowance for loan impairment at 1 January 2013	50,765	15,041	1,509	82,640	4,581	154,536
(Release of)/provision for impairment during the year*	40,083	25,462	2,553	(57)	12,124	80,165
Amounts written off during the year as uncollectible	-	(12,586)	-	(68,163)	(6,637)	(87,386)
Currency translation differences	9,946	1,641	129	112	186	12,014
Monetary gain	(7,190)	(2,131)	(214)	(11,704)	(647)	(21,886)
Allowance for loan impairment at 31 December 2013	**93,604**	**27,427**	**3,977**	**2,828**	**9,607**	**137,443**

*The provision for impairment during 2013 differs from the amount presented in profit or loss for the year due to BYR 18,263 million recoveries of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provision for impairment line in profit or loss for the year.

Economic sector risk concentrations within the Bank's loan portfolio are as follows:

	2014		2013	
In millions of Belarusian Roubles	**Amount**	**%**	**Amount**	**%**
Trade and commerce	1,988,049	35%	1,594,061	34%
Machinery and metal working industry	1,012,788	18%	811,222	17%
Individuals	804,996	14%	807,049	17%
Food industry	402,552	7%	259,077	5%
Chemical and petrochemical industry	383,606	7%	539,660	11%
Power generation industry	162,946	3%	156,409	3%
Construction and real estate	152,838	3%	65,680	1%
Timber industry	68,474	1%	99,991	2%
Railway transport	16,934	0%	31,731	1%
Finance and investment companies	57	0%	144	0%
Other	656,226	12%	393,954	9%
Total loans and advances to customers (before impairment)	**5,649,466**	**100%**	**4,758,978**	**100%**

At 31 December 2014 the loans and advances to customers included loans to 4 customers in the amount of 284,178 BYR million, 217,787 BYR million, 209,247 BYR million and 177,501 BYR million respectively, which comprised 6%, 4%, 4% and 4% of the Bank's total loans to legal entities portfolio.

At 31 December 2013 the loans and advances to customers included loans to 4 customers in the amount of BYR 211,253 million, BYR 165,886 million, BYR 149,106 million and BYR 108,707 million respectively, which comprised 5%, 4%, 3% and 2% of the Bank's total loans to legal entities portfolio.

As at 31 December 2014 the Bank granted loans to 9 customers (2013: 10 customers), amounting to BYR 1,579,623 million (2013: BYR 1,179,567 million), which individually exceeded 10% of the Bank's equity and represented significant concentration.

Analysis by credit quality of loans outstanding at 31 December 2014 is as follows:

In millions of Belarusian Roubles	**Corpo-rate loans**	**Loans to small and medium enterprises (SME)**	**Finance lease receivab-les**	**Corporate bonds classified as loans and receivables**	**Loans to indivi-duals**	**Total**
Neither past due nor individually impaired						
- Rating I	592,276	33,474	15,252	-	-	**641,002**
- Rating II	320,506	43,030	17,491	-	-	**381,027**
- Rating III A	73,132	88,717	18,444	-	-	**180,293**
- Rating III B	179,297	145,145	16,039	-	-	**340,481**
- Rating IV	21,713	45,003	5,194	-	-	**71,910**
- Rating V	254	23,843	1,447	-	-	**25,544**
- Unrated	12,610	41,872	1,338	-	726,674	**782,494**
Total neither past due nor individually impaired	**1,199,788**	**421,084**	**75,205**	**-**	**726,674**	**2,422,751**
Past due but not impaired individually						
- less than 30 days overdue	4,895	7,423	950	-	29,666	**42,934**
- 30 to 90 days overdue	-	1,323	185	-	17,541	**19,049**
- 91 to 180 days overdue	-	876	-	-	14,287	**15,163**
- 181 to 360 days overdue	-	737	150	-	14,389	**15,276**
- over 360 days overdue	-	7,253	-	-	2,439	**9,692**
Total past due but not individually impaired	**4,895**	**17,612**	**1,285**	**-**	**78,322**	**102,114**
Loans individually determined to be impaired						
- current	2,763,788	20,220	34,756	58,340	-	**2,877,104**
- less than 30 days overdue	179,462	-	-	-	-	**179,462**
- 30 to 90 days overdue	68,035	-	-	-	-	**68,035**
Total individually impaired loans (gross)	**3,011,285**	**20,220**	**34,756**	**58,340**	**-**	**3,124,601**
Less allowance for impairment	**(161,066)**	**(23,513)**	**(2,838)**	**(2,050)**	**(43,596)**	**(233,063)**
Total loans and advances to customers	**4,054,902**	**435,403**	**108,408**	**56,290**	**761,400**	**5,416,403**

Analysis by credit quality of loans outstanding at 31 December 2013 is as follows:

In millions of Belarusian Roubles	**Corpo-rate loans**	**Loans to small and medium enterprises (SME)**	**Finance lease receivables**	**Corporate bonds classified as loans and receivables**	**Loans to individuals**	**Total**
Neither past due nor individually impaired						
- Rating I	455,087	29,157	23,873	-	-	508,117
- Rating II	498,996	86,934	29,940	-	-	615,870
- Rating III A	77,416	152,897	29,809	-	-	260,122
- Rating III B	84,368	78,269	15,664	-	-	178,301
- Rating IV	47,274	1,329	6,231	-	-	54,834
- Rating V	9,044	-	2,938	-	-	11,982
- Unrated	4,147	30,196	447	-	749,198	783,988
Total neither past due nor individually impaired	**1,176,332**	**378,782**	**108,902**	**-**	**749,198**	**2,413,214**
Past due but not impaired individually						
- less than 30 days overdue	-	302	45	-	31,701	32,048
- 30 to 90 days overdue	-	10,415	-	-	16,274	26,689
- 91 to 180 days overdue	-	605	-	-	6,160	6,765
- 181 to 360 days overdue	-	349	-	-	3,068	3,417
- over 360 days overdue	-	52	-	-	648	700
Total past due but not individually impaired	**-**	**11,723**	**45**	**-**	**57,851**	**69,619**
Loans individually determined to be impaired						
- current	2,011,935	172,228	41,010	42,624	-	2,267,797
- 91 to 180 days overdue	-	8,348	-	-	-	8,348
Total individually impaired loans (gross)	**2,011,935**	**180,576**	**41,010**	**42,624**	**-**	**2,276,145**
Less allowance for impairment	**(93,604)**	**(27,427)**	**(3,977)**	**(2,828)**	**(9,607)**	**(137,443)**
Total loans and advances to customers	**3,094,663**	**543,654**	**145,980**	**39,796**	**797,442**	**4,621,535**

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio allowance for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Bank’s policy is to classify each loan as ‘neither past due nor individually impaired’ until specific objective evidence of impairment of the loan is identified. The impairment allowance may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology. The borrowers’ ratings presented above are calculated based on the system of financial indexes where rating I means stable first-class borrower with no signs of financial instability.

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Bank presents above an ageing analysis of loans that are individually determined to be impaired.

Past due, but not individually impaired, loans primarily include collateralised loans where the fair value or carrying amount of collateral covers the overdue interest and principal repayments plus loans collectively assessed for impairment. The amount reported as past due but not individually impaired is the whole balance of such loans, not only the individual instalments that are past due.

The Bank evaluates collateral provided to secure loans. Premises are measured at fair value. Carrying amount of other collateral does not differ significantly from its fair value.

The financial effect of collateral is presented by disclosing impact of collateral and other credit enhancements on allowance for impairment recognised at the end of the reporting period. Without holding collateral and other credit enhancements, the allowance for impairment would be higher by the following amounts:

In millions of Belarusian Roubles	**2014**	**2013**
Corporate loans	207,365	124,539
Loans to small and medium enterprises (SME)	910	8,308
Finance lease receivables	1,601	239
Corporate bonds classified as loans and receivables	2,811	2,431

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In millions of Belarusian Roubles	**2014**	**2013**
Less than one year	84,369	97,713
From one year to five years	47,957	77,482
Minimum lease payments	**132,326**	**175,195**
Less: unearned finance income	(21,080)	(25,238)
Present value of lease payments receivable	**111,246**	**149,957**

As at 31 December 2013 the Bank had a loan to JSC “Naftan” in the amount of BYR 54,148 million that was issued from funds provided by the National Bank of Belarus. In accordance with the agreement with the National Bank of Belarus the Bank’s liabilities on the loan including interest repayment arise only after respective payments from JSC “Naftan” are received. Accordingly, the assets and liabilities on this agreement were derecognised in these financial statements.

As at 31 December 2013 the Bank didn’t have other syndicated loans.

Refer to Note 34 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

10 Investment Securities Available for Sale

In millions of Belarusian Roubles	**2014**	**2013**
Governmental and municipal bonds and Eurobonds	178,161	95,235
Total investment securities available for sale	**178,161**	**95,235**

Governmental and municipal bonds and Eurobonds as at 31 December 2014 and 31 December 2013 in the amount of BYR 178,161 and 95,235 million, respectively, are neither past due nor impaired.

Interest rate analysis of investment securities available for sale is disclosed in Note 30.

11 Premises, Equipment and Intangible Assets

In millions of Belarusian Roubles	Note	Premises	Office and computer equipment	Construction in progress	Total premises and equipment	Intangible assets	Total
Cost at 1 January 2013		143,058	129,439	128,415	400,912	53,888	454,800
Accumulated depreciation		(7,222)	(59,094)	-	(66,316)	(16,891)	(83,207)
Carrying amount at 1 January 2013		**135,836**	**70,345**	**128,415**	**334,596**	**36,997**	**371,593**
Additions		-	-	51,712	51,712	483	52,195
Transfers		59	12,071	(17,464)	(5,334)	5,334	-
Disposals		(381)	(1,925)	-	(2,306)	(3,014)	(5,320)
Depreciation charge	26	(4,066)	(17,838)	-	(21,904)	(12,552)	(34,456)
Positive revaluation		30,724	-	3,691	34,415	-	34,415
Revaluation of depreciation recorded directly in other comprehensive income		4,088	-	-	4,088	-	4,088
Impairment through profit or loss		(17,176)	-	-	(17,176)	-	(17,176)
Effect of accumulated depreciation write off as the result of revaluation		6,920	-	-	6,920	-	6,920
Carrying amount at 31 December 2013		**156,004**	**62,653**	**166,354**	**385,011**	**27,248**	**412,259**
Cost at 31 December 2013		156,004	137,384	166,354	459,742	48,537	508,279
Accumulated depreciation		-	(74,731)	-	(74,731)	(21,289)	(96,020)
Carrying amount at 31 December 2013		**156,004**	**62,653**	**166,354**	**385,011**	**27,248**	**412,259**
Additions		-	-	32,490	32,490	2,191	34,681
Transfers		128,429	17,827	(177,503)	(31,247)	31,247	-
Disposals		-	(696)	-	(696)	-	(696)
Depreciation charge	26	(5,734)	(23,794)	-	(29,528)	(9,662)	(39,190)
Positive revaluation		32,075	-	-	32,075	-	32,075
Revaluation of depreciation recorded directly in other comprehensive income		4,064	-	-	4,064	-	4,064
Carrying amount at 31 December 2014		**314,838**	**55,990**	**21,341**	**392,169**	**51,024**	**443,193**
Cost at 31 December 2014		314,838	149,296	21,341	485,475	77,596	563,071
Accumulated depreciation		-	(93,306)	-	(93,306)	(26,572)	(119,878)
Carrying amount at 31 December 2014		**314,838**	**55,990**	**21,341**	**392,169**	**51,024**	**443,193**

Construction in progress consists mainly of construction of the Bank's premises and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment.

Premises have been valued at fair value at 31 December 2014 and premises and construction in progress have been valued at fair value at 31 December 2013. The valuation was carried out by an independent firm of valuers who hold a recognised and relevant professional qualification.

At 31 December 2014, the carrying amount of premises would have been BYR 268,040 million had the assets been carried at cost less depreciation. At 31 December 2013, the carrying amount of premises and construction in progress would have been BYR 131,448 million and BYR 162,663 million, respectively, had the assets been carried at cost less depreciation.

12 Other Financial Assets

In millions of Belarusian Roubles	**2014**	**2013**
Accrued commission and other income	23,991	21,176
Settlements on conversion and other banking operations	4,241	16,230
Other financial debtors	4,813	3,731
Less: Allowance for impairment	(17,344)	(15,341)
Total other financial assets	**15,701**	**25,796**

Movements in the allowance for impairment of other financial assets during 2014 and 2013 are as follows:

In millions of Belarusian Roubles	**2014**	**2013**
Allowance for impairment at 1 January	**15,341**	**9,451**
Provision for impairment during the year	1,592	6,873
Amounts written off during the year as uncollectible	(1,815)	-
Currency translation differences	4,365	356
Monetary gain	(2,139)	(1,339)
Allowance for impairment at 31 December	**17,344**	**15,341**

Analysis by credit quality of other financial assets outstanding at 31 December 2014 is as follows:

In millions of Belarusian Roubles	**Settlements on conversion and other banking operations**	**Accrued commission and other income**	**Other financial debtors**	**Total**
Neither past due nor individually impaired				
Neither past due nor impaired with credit history	4,241	9,846	148	14,235
Total neither past due nor impaired	**4,241**	**9,846**	**148**	**14,235**
Past due but not impaired individually				
- less than 30 days overdue	-	111	-	**111**
- 30 to 90 days overdue	-	139	-	**139**
- 91 to 180 days overdue	-	223	-	**223**
- 181 to 360 days overdue	-	483	-	**483**
- over 360 days overdue	-	1,114	4,665	**5,779**
Total past due but not impaired individually	**-**	**2,070**	**4,665**	**6,735**
Receivables individually determined to be impaired				
- less than 30 days overdue	-	149	-	**149**
- 30 to 90 days overdue	-	442	-	**442**
- 91 to 180 days overdue	-	1,297	-	**1,297**
- 181 to 360 days overdue	-	1,110	-	**1,110**
- over 360 days overdue	-	9,077	-	**9,077**
Total individually impaired (gross)	**-**	**12,075**	**-**	**12,075**
Less allowance for impairment	(1,273)	(11,406)	(4,665)	**(17,344)**
Total other financial receivables	**2,968**	**12,585**	**148**	**15,701**

Analysis by credit quality of other financial assets outstanding at 31 December 2013 is as follows:

In millions of Belarusian Roubles	**Settlements on conversion and other banking operations**	**Accrued commission and other income**	**Other financial debtors**	**Total**
Neither past due nor individually impaired				
Neither past due nor impaired with credit history	16,230	8,005	185	24,420
Total neither past due nor impaired	**16,230**	**8,005**	**185**	**24,420**
Past due but not impaired individually				
- 181 to 360 days overdue	-	1,120	-	1,120
- over 360 days overdue	-	543	3,546	4,089
Total past due but not impaired individually	**-**	**1,663**	**3,546**	**5,209**
Receivables individually determined to be impaired				
- over 360 days overdue	-	11,508	-	11,508
Total individually impaired (gross)	**-**	**11,508**	**-**	**11,508**
Less allowance for impairment	**(1,479)**	**(10,316)**	**(3,546)**	**(15,341)**
Total other financial receivables	**14,751**	**10,860**	**185**	**25,796**

The primary factors that the Bank considers in determining whether a receivable is impaired are its overdue status and realisability of related collateral, if any. As a result, the Bank presents above an ageing analysis of receivables that are individually determined to be impaired.

Refer to Note 34 for the disclosure of the fair value of each class of other financial assets. Information on related party balances is disclosed in Note 36.

13 Other Assets

In millions of Belarusian Roubles	**2014**	**2013**
Prepayments	21,616	19,605
Taxes prepaid other than income taxes	9,439	30,795
Prepaid expenses	3,869	2,874
Other	637	40
Total other assets	**35,561**	**53,314**

All of the above assets at 31 December 2014 are expected to be recovered less than twelve months after the year-end, except for prepaid expenses of BYR 251 million. Information on related party balances is disclosed in Note 36.

14 Due to other banks

In millions of Belarusian Roubles	**2014**	**2013**
Short-term placements of other banks	1,653,157	1,065,770
Long-term placements of other banks	398,358	231,568
Correspondent accounts and overnight placements of other banks	2,966	2,416
Total due to other banks	**2,054,481**	**1,299,754**

As at 31 December 2014 and 2013 amounts due to banks included BYR 1,399,326 (68,1%) due to five banks and BYR 1,140,194 million (88%) due to five banks, respectively, which represents significant concentration.

Refer to Note 34 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

15 Customer Accounts

In millions of Belarusian Roubles	**2014**	**2013**
Legal entities and organisations		
- Term deposits	1,427,902	833,326
- Current/settlement accounts	1,235,991	1,559,482
Individuals		
- Term deposits	937,719	1,090,192
- Current/demand accounts	724,739	685,173
Total customer accounts	**4,326,351**	**4,168,173**

Economic sector concentrations within customer accounts are as follows:

In millions of Belarusian Roubles	**2014**	**2013**
Individuals	1,662,458	1,775,365
Trade and commerce	874,124	538,421
State and public organisations	751,126	607,531
Manufacturing	321,672	374,142
Construction and real estate	80,127	164,659
Transport	38,836	29,922
Food industry	32,052	72,346
Finance and investment companies	28,848	24,121
Mass media and telecommunication	17,547	86,346
Energy and oil and gas	13,734	184,741
Science	365	1,210
Other	505,462	309,369
Total customer accounts	**4,326,351**	**4,168,173**

At 31 December 2014, included in customer accounts are deposits of BYR 315,158 million (2013: BYR 381,433 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 32.

As at 31 December 2014 and 2013 customer accounts amounting to BYR 588,514 million (14%) were due to 3 customers, and BYR 1,018,182 million (24%), were due to 6 customers, respectively, which represented significant concentration.

Refer to Note 34 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

16 Debt Securities in Issue

In millions of Belarusian Roubles	Nominal % rate	2014	Nominal % rate	2013
Denominated in BYR with fixed rate	20.00%	22,835	-	-
Denominated in BYR with floating rate	-	-	26.02%	157,393
Denominated in EUR with fixed rate	6.50%	72,015	6.50%	76,144
Denominated in USD with fixed rate	7.11%	177,126	6.98%	208,585
Denominated in RUB with fixed rate	7.50%	54,309	7.50%	85,483
Total debt securities in issue		**326,285**		**527,605**

At 31 December 2014, the Bank had debt securities in issue held by 1 counterparty (2013: 4 counterparties) amounting to BYR 202,909 million (2013: BYR 482,344 million), which individually exceeded 10% of the Bank's equity and represents significant concentration. The aggregate amount of these balances was 62% (2013: 91%) of total debt securities in issue.

Refer to Note 34 for the disclosure of the fair value of each class of debt securities in issue. Interest rate analyses of debt securities in issue are disclosed in Note 30. Information on debt securities in issue held by related parties is disclosed in Note 36.

17 Other Financial Liabilities

Other financial liabilities comprise the following:

In millions of Belarusian Roubles	2014	2013
Provision for credit related commitments	5,155	3,780
Settlements on conversion and other banking operations	-	11,062
Other financial liabilities	52,692	67,191
Total other financial liabilities	**57,847**	**82,033**

Provision for credit related commitments represents specific provisions created for losses incurred on financial guarantees and letters of credit to extend credit to borrowers whose financial conditions deteriorated. Movements in the provision for impairment of credit related commitments are presented in Note 32.

Refer to Note 34 for disclosure of the fair value of each class of other financial liabilities.

18 Other Liabilities

Other liabilities comprise the following:

In millions of Belarusian Roubles	2014	2013
Taxes payable other than income tax	38,757	13,578
Salaries and unused vacation expense accrued	30,932	17,999
Amounts payable to Deposits guarantee fund	4,980	5,105
Other	1,384	16
Total other liabilities	**76,053**	**36,698**

As at 31 December 2014 all of the above liabilities are expected to be settled less than twelve months after the reporting date, except for other liabilities of BYR 8 million..

19 Subordinated Debt

In millions of Belarusian Roubles	Currency	Maturity Date	Interest rate	2014	Interest rate	2013
ABH Belarus Limited	USD	30 June 2021	6.33%	35,550	6.35%	33,152
ABH Belarus Limited	EUR	14 September 2020	6.30%	28,760	6.48%	30,398
ABH Belarus Limited	USD	22 November 2020	5.00%	23,700	5.00%	22,101
JSC “Alfa-Bank”	USD	14 December 2020	-	-	6.58%	171,285
JSC “Alfa-Bank”	USD	29 December 2018	-	-	8.00%	77,354
JSC “Alfa-Bank”	USD	20 December 2020	-	-	5.50%	44,202
Total subordinated debt				**88,010**		**378,492**

Subordinated debt ranks after all other creditors in the case of liquidation.

In September 2014 the subordinated debt from Joint-Stock Company "Alfa-Bank" was converted to the share capital of the Bank.

Refer to Note 34 for the disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

20 Share Capital and Retained Earnings

In millions of Belarusian Roubles except for number of shares	Number of outstanding shares	Ordinary shares	Hyperinflation adjustment	Total share capital
At 1 January 2013	**351,287,619**	**175,644**	**460,450**	**636,094**
New shares issued	225,719,000	112,860	29,965	142,825
At 31 December 2013	**577,006,619**	**288,504**	**490,415**	**778,919**
New shares issued	555,970,000	277,985	6,506	**284,491**
At 31 December 2014	**1,132,976,619**	**566,489**	**496,921**	**1,063,410**

The total authorised number of ordinary shares is 1,132,976,619 shares (2013: 577,006,619 shares), with a par value of BYR 500 per share (2013: BYR 500 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

Legal merger of CJSC “Alfa-Bank” and CJSC “Alfa-Bank Finance” in June 2013 resulted in an increase in the share capital of the merged bank by 225 719 000 ordinary shares. This transaction was presented in the statement of changes in equity as a transfer between retained earnings and share capital.

In accordance with Belarusian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with Belarusian Accounting Rules. The Bank’s reserves under Belarusian Accounting Rules at 31 December 2014 amount to BYR 405,035 million on non-hyperinflated basis (2013: BYR 243,424 million on non-hyperinflated basis).

21 Other Comprehensive Income Recognised in Each Component of Equity

An analysis of other comprehensive income by item for each component of equity is as follows:

In millions of Belarusian Roubles	**Other Comprehensive Income**
Year ended 31 December 2013	
Investment securities available for sale:	
- Gains less losses arising during the year	684
- Gains less losses recycled to profit or loss upon disposal or impairment	(2,289)
Total items that may be reclassified subsequently to profit or loss:	**(1,605)**
Revaluation reserve for property, plant and equipment	38,503
Income tax recorded directly in other comprehensive income	(6,930)
Total items that will not be reclassified to profit or loss:	**31,573**
Total other comprehensive income	**29,968**
Year ended 31 December 2014	
Investment securities available for sale:	
- Gains less losses arising during the year	(5,497)
- Gains less losses recycled to profit or loss upon disposal or impairment	(43)
Total items that may be reclassified subsequently to profit or loss:	**(5,540)**
Revaluation reserve for property, plant and equipment	36,139
Income tax recorded directly in other comprehensive income	(9,035)
Total items that will not be reclassified to profit or loss:	**27,104**
Total other comprehensive income	**21,564**

22 Interest Income and Expense

In millions of Belarusian Roubles	**2014**	**2013**
Interest income		
Loans and advances to legal entities	525,339	512,874
Loans and advances to individuals	233,730	257,053
Investment securities available for sale	30,882	21,711
Due from other banks	8,030	10,790
Cash and cash equivalents	1,495	1,506
Other	1,748	1,093
Total interest income	**801,224**	**805,027**
Interest expense		
Term deposits of individuals	146,238	167,703
Term deposits of legal entities	118,026	138,845
Due to other banks	77,826	98,075
Current/settlement accounts of individuals	35,071	29,085
Debt securities in issue	33,176	32,694
Current/settlement accounts of legal entities	27,990	50,023
Subordinated debt	17,647	9,937
Other	57	27
Total interest expense	**456,031**	**526,389**
Net interest income	**345,193**	**278,638**

23 Fee and Commission Income and Expense

In millions of Belarusian Roubles	**2014**	**2013**
Fee and commission income		
Cash and foreign currency exchange transactions	145,132	113,462
Settlement transactions	101,196	75,413
Documentary operations	47,293	28,266
Organisation and administration of syndications	22,155	15,816
Transactions with securities	86	162
Other	511	904
Total fee and commission income	**316,373**	**234,023**
Fee and commission expense		
Cash and foreign currency exchange transactions	26,083	27,251
Documentary operations	20,423	12,667
Settlement transactions	9,760	10,537
Transactions with securities	29	157
Other	4,543	3,241
Total fee and commission expense	**60,838**	**53,853**
Net fee and commission income	**255,535**	**180,170**

24 Loss on Monetary Position and Effect of Hyperinflation Adjustments

In millions of Belarusian Roubles	**2014**	**2013**
Monetary loss on opening monetary position	56,580	54,282
Monetary loss on contributions to share capital	6,506	-
Loss from change in monetary position due to income and expenses	18,441	9,972
Monetary gain on dividends declared	(2,356)	(1,463)
Monetary gain on additions of property, equipment and intangible assets	(1,729)	(2,716)
Total loss on monetary position	**77,442**	**60,075**

The effect of restatement in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies" on the Bank's assets, liabilities, equity as at 31 December 2014 and its net income for the year then ended is presented in the following table:

In millions of Belarusian Roubles	**Assets**	**Liabilities**	**Equity**	**Net income**
Before application of IAS 29	**8,004,341**	**6,943,958**	**1,060,383**	**230,479**
Hyperinflation adjustments for premises, equipment and intangible assets	220,893	6	220,887	(17,337)
Loss on opening monetary position	-	-	-	(56,580)
Hyperinflation effect for contribution to share capital	-	-	-	(6,506)
Hyperinflation effect for dividends	-	-	-	2,356
Deferred tax on hyperinflation adjustments	(55,719)	(419)	(55,300)	(22,385)
Other hyperinflation adjustments	1,228	451	777	(777)
Reported in financial statements (after restatement in accordance with IAS 29)	**8,170,743**	**6,943,996**	**1,226,747**	**129,250**

25 Other Operating Income

In millions of Belarusian Roubles	**2014**	**2013**
Fines and penalties	8,710	6,464
Other income	396	3,023
Total other operating income	**9,106**	**9,487**

26 Administrative and Other Operating Expenses

In millions of Belarusian Roubles	**2014**	**2013**
Staff costs	205,081	208,404
Statutory social security	58,326	60,122
Depreciation and Amortisation	39,190	34,456
Rent expenses	35,600	40,072
Computer and telecommunications expenses	23,982	20,620
Advertising and marketing	22,085	8,440
Taxes other than income tax	21,865	3,198
Contributions to deposits protection fund	21,562	21,230
Repairs and maintenance	12,362	21,890
Consulting and professional services	9,109	9,996
Utilities	5,406	5,005
Security	4,006	4,505
Materials and Supplies	2,364	3,701
Transport	1,780	2,160
Impairment of premises and equipment	-	10,256
Other	35,243	32,631
Total administrative and other operating expenses	**497,961**	**486,686**

27 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In millions of Belarusian Roubles	**2014**	**2013**
Current tax	38,172	19,288
Deferred tax	(16,767)	(1,760)
Income tax expense for the year	**21,405**	**17,528**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Bank's 2014 income is 18% (2013: 18%). Reconciliation between the expected and the actual taxation charge is provided below.

In millions of Belarusian Roubles	2014	2013
Profit before tax	**150,655**	**46,327**
Theoretical tax charge at statutory rate (2014: 18%; 2013: 18%)	27,119	8,339
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income on domestic securities which is exempt from taxation	(7,263)	(162)
- Non-deductible expenses	8,096	178
Reversal of statutory revaluation of property and equipment	(24,760)	(2,600)
Change in unrecognised deferred tax asset	-	(11,001)
Effect of change of income tax rate from 18% to 25%	(3,854)	-
IAS 29 – monetary loss / (gain) on share capital contributions and dividends	747	(100)
IAS 29 - loss on tax base of assets and liabilities	20,302	21,770
IAS 29 - restatement of current income tax	1,018	1,104
Income tax expense for the year	**21,405**	**17,528**

According to changes in Tax Code of the Republic of Belarus, the income tax rate applicable to Bank's activity amounts to 26.28% in 2009 and 2010 years, 24% in 2011 year, 18% in 2012, 2013 and 2014 years and 25% starting from 1 January 2015

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in the Republic of Belarus give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 25% (2013: 18%).

In millions of Belarusian Roubles	1 January 2013	Credited/ (charged) to profit or loss	31 December 2013	Credited/ (charged) to profit or loss	31 December 2014
Tax effect of deductible/(taxable) temporary differences					
Premises and equipment due to statutory revaluation and different useful lives	2,505	(9,749)	(7,244)	(1,383)	(8,627)
Allowance for impairment of financial assets	10,130	1,379	11,509	(9,049)	2,460
Fair value of derivatives	(41)	(419)	(460)	4,702	4,242
Accruals	802	(802)	-	-	-
Other	(229)	(6,580)	(6,809)	13,462	6,653
Net deferred tax asset/(liability)	**13,167**	**(16,171)**	**(3,004)**	**7,732**	**4,728**
Less unrecognised deferred tax asset	(11,001)	11,001	-	-	-
Net deferred tax asset/(liability)	**2,166**	**(5,170)**	**(3,004)**	**7,732**	**4,728**
Deferred tax recognised in other comprehensive income	-	6,930	-	9,035	-
Net deferred tax asset/(liability)	**2,166**	**1,760**	**(3,004)**	**16,767**	**4,728**

The Bank had no tax loss carry forwards as at 31 December 2014 and 2013.

28 Dividends

In millions of Belarusian Roubles	**2014 Ordinary**	**2013 Ordinary**
Dividends payable at 1 January	-	-
Dividends declared during the year	31,261	17,105
Dividends paid during the year	(31,261)	(17,105)
Dividends payable at 31 December	**-**	**-**

All dividends are declared in Belarusian roubles and paid either in US dollars or in Belarusian roubles.

29 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Financial Committee of the Bank.

(a) Description of products and services from which each reportable segment derives its revenue

The Bank is organised on the basis of three main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
- Treasury – representing corresponding accounts, deposits, loans and derivative products with other banks.

(b) Factors that management used to identify the reportable segments

The Banks's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level and are based on different business and decision-making processes.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on Belarusian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) Financial information is not restated in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies”;

(ii) Allowance for loan impairment is recognised based on Belarusian legislation and availability of information, rather than based on the incurred loss model prescribed in IAS 39;

(iii) the fair value changes in available for sale securities are reported within the segments’ profits or losses rather than in other comprehensive income;

(iv) income taxes are not allocated to segments;

(v) commission income relating to lending is recognised immediately rather than deferred using the effective interest method.

The CODM evaluates performance of each segment based on profit before tax.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2014 is set out below:

In millions of Belarusian Roubles	**Retail banking**	**Corporate banking**	**Treasury**	**Unallocated**	**Total**
External revenues:					
- Interest income	242,350	439,133	40,030	-	**721,513**
- Fee and commission income	98,582	211,900	1,357	290	**312,129**
- Other operating income	6,528	1,728	-	1,183	**9,439**
Total revenues	**347,460**	**652,761**	**41,387**	**1,473**	**1,043,081**
Interest expense	(170,333)	(168,065)	(67,651)	(16,520)	**(422,569)**
Allowance for impairment of loans to customers, amounts due from other banks, investment securities available for sale and credit commitments	(37,448)	(127,571)	(1,789)	(10,831)	**(177,639)**
Fee and commission expense	(22,603)	(25,876)	(12,459)	(2,499)	**(63,437)**
Gains less losses from trading in foreign currencies and translation gains less losses	-		-	187,605	**187,605**
Gains less losses from financial derivatives	-	-	77,988	-	**77,988**
Gains less losses from disposals of investment securities available for sale	-	(809)	772	-	**(37)**
Administrative and other operating expenses	-	-	-	(436,011)	**(436,011)**
Income tax expense	-	-	-	(38,172)	**(38,172)**
Segment result	**117,076**	**330,440**	**38,248**	**(314,955)**	**170,809**
Segment assets	**767,016**	**4,533,843**	**2,088,698**	**661,778**	**8,051,335**
Segment liabilities	**1,662,791**	**3,248,187**	**1,825,586**	**199,296**	**6,935,860**

Segment information for the reportable segments for the year ended 31 December 2013 is set out below:

In millions of Belarusian Roubles	Retail banking	Corporate banking	Treasury	Unallocated	Total
External revenues:					
- Interest income	109,251	383,984	37,860	551	**531,646**
- Fee and commission income	63,927	158,534	1,306	-	**223,767**
- Other operating income	10,669	4,463	-	2,894	**18,026**
Total revenues	**183,847**	**546,981**	**39,166**	**3,445**	**773,439**
Interest expense	(142,404)	(147,158)	(103,218)	(20)	**(392,800)**
Allowance for impairment of loans to customers, amounts due from other banks, investment securities available for sale and credit commitments	(16,371)	(40,002)	101	-	**(56,272)**
Fee and commission expense	(18,637)	(16,070)	(9,470)	(1,562)	**(45,739)**
Gains less losses from trading in foreign currencies and translation gains less losses	-	-	-	126,661	**126,661**
Gains less losses from financial derivatives	-	-	33,009	-	**33,009**
Gains less losses from disposals of investment securities available for sale	-	-	1,859	-	**1,859**
Administrative and other operating expenses	-	-	-	(308,267)	**(308,267)**
Other expenses	(16,683)	-	-	(28,816)	**(45,499)**
Income tax expense	-	-	-	(14,735)	**(14,735)**
Segment result	**(10,248)**	**343,751**	**(38,553)**	**(223,294)**	**71,656**
Segment assets	**794,484**	**3,671,134**	**1,894,826**	**1,068,754**	**7,429,198**
Segment liabilities	**1,792,121**	**2,371,065**	**2,039,205**	**417,787**	**6,620,178**

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

In millions of Belarusian Roubles	2014	2013
Total revenues for reportable segments	**1,043,081**	**773,439**
(a) hyperinflation adjustments in accordance with IAS 29	56,607	68,096
(b) derecognition of syndicated loans where the Bank doesn't bear credit risk	-	(3,702)
(c) elimination of deposits with the National Bank of Belarus and recognition of derivative	(1,293)	(1,071)
(d) other IFRS adjustments	28,308	211,775
Total revenues	**1,126,703**	**1,048,537**

Total revenues comprise interest income, fee and commission income and other operating income.

In millions of Belarusian Roubles	**2014**	**2013**
Total reportable segment result	**170,809**	**71,656**
(a) hyperinflation adjustments in accordance with IAS 29	(101,229)	(96,046)
(b) elimination of deposits with the National Bank of Belarus and recognition of derivative	(19,154)	4,220
(c) additional allowance (reversal) for impairment of financial assets	44,361	(23,569)
(d) other IFRS adjustments	34,463	72,538
Profit for the year	**129,250**	**28,799**

In millions of Belarusian Roubles	**2014**	**2013**
Total reportable segment assets	**8,051,335**	**7,429,198**
(a) hyperinflation adjustments in accordance with IAS 29	166,401	211,094
(b) derecognition of syndicated loans where the Bank doesn't bear credit risk	-	(54,148)
(c) elimination of deposits with the National Bank of Belarus and recognition of derivative	(128,420)	(125,236)
(d) deal date accounting adjustment	-	11,051
(e) additional allowance for impairment of financial assets	(37,341)	(79,566)
(f) NOSTRO cut-off error	(1,706)	(9,672)
(g) Clearance of transit accounts	(232,023)	(189,027)
(h) other IFRS adjustments	352,497	133,844
Total assets	**8,170,743**	**7,327,538**

In millions of Belarusian Roubles	**2014**	**2013**
Total reportable segment liabilities	**6,935,860**	**6,620,178**
(a) hyperinflation adjustments in accordance with IAS 29	38	37,951
(b) derecognition of syndicated loans where the Bank doesn't bear credit risk	-	(54,148)
(c) elimination of deposits with the National Bank of Belarus and recognition of derivative	(111,464)	(127,790)
(d) deal date accounting adjustment	-	11,062
(e) NOSTRO cut-off error	(1,694)	(9,655)
(f) Clearance of transit accounts	(232,023)	(189,027)
(g) other IFRS adjustments	353,279	216,264
Total liabilities	**6,943,996**	**6,504,835**

(f) Analysis of revenues by products and services

The Bank’s revenues are analysed by products and services in Notes 22 (interest income), Note 23 (fee and commission income) and in Note 25 (other operating income).

(g) Geographical information

In 2014 and 2013 revenues were collected mainly from Belarus (more than 90% of total revenues), other significant countries are the Netherlands and Russia. Revenues comprise interest income, fee and commission income and other operating income.

(h) Major customers

In 2014 revenues above 10% of the total revenue were generated from 2 customers (JSC “Naftan” and LLC “Tabak-invest”). In 2013 revenues above 10% of the total revenue were generated from 2 customers (JSC “Naftan” and OJSC “Minsk Automobile Plant”).

30 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank’s lending and other transactions with counterparties giving rise to financial assets.

The Bank’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. For credit related commitments, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 32.

The main purposes of credit risk management are securing of loan portfolio growth, minimisation of bad debts, and diversification of loan portfolio.

The main instruments of credit risk management are credit risk limits, limits by loan product, internal borrower credit ratings, pricing with an allowance for risk, collateral discounts.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Large risks are approved regularly by the Credit Committees. Such risks are monitored on a revolving basis and are subject to review on continuing basis. The Bank established a number of credit committees which are responsible for approving credit limits for individual borrowers:

The Senior Credit Committee is responsible for:

- making loan decision on credit limits to corporate clients in the amount not exceeding USD 12,000 thousand and meets weekly or twice a week.
- submission to the Bank’s Management Board for consideration a decision on proposed credit limits exceeding USD 12,000 thousand.
- submission to the Bank’s Management Board for consideration the proposals of establishing country’s limits.
- making a decision on non-standard legal risks and non-standard terms of credit transactions.

The Junior Credit Committee is responsible for:

- review and approving credit limits to small and medium enterprises in the amount not exceeding USD 1,000 thousand and meets twice a week.

Loan applications originated by the relevant client relationship managers are passed on to the relevant credit committee for approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. In order to monitor credit risk exposures, regular reports are produced by the Risk Management Department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposure to customers with deteriorating creditworthiness are reported to, and reviewed by the relevant Credit Committee.

The Bank also uses internal credit ratings and past due balances to monitor exposure to credit risk. Borrower's rating determination is based on weighted estimation of two categories of indicators: financial and business. Financial indicators analysis presents an appraisal of borrower's financial statements in order to establish its financial competitiveness (solvency and financial stability), ability to fulfil its obligations. Estimation of borrower's financial indicator includes analysis of the following areas: liquidity, property status, financial stability, payables, receivables, profit. Evaluation of business indicators is conducted to clarify borrower's business potential on market, interrelations with counterparties and banks and an efficiency of working capital usage. Such evaluation supplements analysis of financial indicators in a way that makes it possible to have full information about the borrower for the purpose of making judgement on its investment attractiveness. Estimation of borrower's business indicator includes analysis of the following areas: economic activity, profitability, sales, turnover of accounts in banks, credit history, management quality, goodwill, market position and counterparties.

The Risk Management department reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 8-10, 12.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The credit policy, local legal acts about credit process, evaluation procedures of client's paying capacity, evaluation internal borrower credit ratings, monitoring debtor's financial position and the provisioning policy are regularly reviewed by the Bank.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The main purpose of market risk management is to minimise the fluctuation of the currencies portfolio and the securities portfolio, admitted in fair value, and to prevent their negative influence on the Bank's capital by establishing the limits on the amount of unexpected losses with the prescribed level of confidence interval, and establishing the limits on amount of open position.

The specific and the general risk analysis uses when the investments in securities are made by the Bank. The specific risk analysis is exercised in purpose of exposure credit risk of security and it is the same as the procedure used in credit analysis. The policy of forming and management of the securities portfolio has been established the minimum international credit rating of issuer for purchasing his bonds, limiting the size of the trading securities portfolio, limiting the share of investments in securities of the same emission.

The general risk analysis directs to the estimation of the market characteristic of risk: calculating modified duration, volatility of interest rates, price sensitivity, and correlation of interest rate with the basic indexes of the securities market.

The limit of risk concentration on securities per issuer is established on the basis of the specific and the general risk analysis.

The policy of forming and management of the securities portfolio determines the stop-loss. The Division of the Transactions in the Financial Markets must stop the position in security when the stop-loss has been achieved.

The portfolio of securities is analysed on a weekly basis by the Financial Committee.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank’s exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2014				**At 31 December 2013**			
In millions of Belarusian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
Belarusian Roubles	1,582,011	(1,607,066)	(153,038)	(178,093)	1,824,045	(1,608,503)	(176,925)	38,617
US Dollars	3,312,898	(3,268,781)	878,888	923,005	2,380,394	(2,929,564)	854,180	305,010
Euros	1,791,055	(1,622,194)	(86,760)	82,101	1,602,835	(1,590,047)	26,162	38,950
Russian Roubles	349,481	(353,971)	-	(4,490)	477,922	(327,706)	(142,317)	7,899
Other	1,101	(962)	-	139	376	(237)	-	139
Total	**7,036,546**	**(6,852,974)**	**639,090**	**822,662**	**6,285,572**	**(6,456,057)**	**561,100**	**390,615**

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Bank’s gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 33. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

	At 31 December 2014		**At 31 December 2013**	
In millions of Belarusian Roubles	**Impact on profit before taxes**	**Impact on equity**	**Impact on profit before taxes**	**Impact on equity**
US Dollar strengthening by 30% (2013: strengthening by 10%)	276,902	207,677	30,501	25,011
US Dollar weakening by 5% (2013: weakening by 5%)	(46,150)	(34,613)	(15,250)	(12,505)
Euro strengthening by 30% (2013: strengthening by 10%)	24,630	18,473	3,895	3,194
Euro weakening by 5% (2013: weakening by 5%)	(4,105)	(3,079)	(1,948)	(1,597)
Russian Roubles strengthening by 30% (2013: strengthening by 10%)	(1,347)	(1,010)	790	648
Russian Roubles weakening by 5% (2013: weakening by 5%)	225	169	(395)	(324)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Bank makes use of gap- analysis of assets and liabilities for estimation interest risk rate.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**No stated maturity**	**Total**
31 December 2014						
Total financial assets	2,317,535	2,598,347	911,327	1,807,440	40,987	**7,675,636**
Total financial liabilities	3,218,048	1,466,168	982,681	1,186,077	-	**6,852,974**
Net interest sensitivity gap at 31 December 2014	**(900,513)**	**1,132,179**	**(71,354)**	**621,363**	**40,987**	**822,662**
31 December 2013						
Total financial assets	2,292,776	2,490,271	475,356	1,537,845	51,761	**6,848,009**
Total financial liabilities	3,084,870	1,529,350	695,988	1,147,186	-	**6,457,394**
Net interest sensitivity gap at 31 December 2013	**(792,094)**	**960,921**	**(220,632)**	**390,659**	**51,761**	**390,615**

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank's income statement. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2014 and 2013. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets at 31 December 2014 and 2013 for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve:

	At 31 December 2014		**At 31 December 2013**	
In millions of Belarusian Roubles	**Impact on net interest income**	**Impact on other comprehensive income**	**Impact on net interest income**	**Impact on other comprehensive income**
Increase by 500 basis points for interest rate in Belarusian roubles (2013: increase by 500 basis points)	5,249	-	(6,833)	-
Decrease by 500 basis points for interest rate in Belarusian roubles (2013: Decrease by 500 basis points)	(5,249)	-	6,833	-
increase by 200 basis points for interest rate in other currencies (2013: increase by 200 basis points)	(2,253)	(4,585)	(11,572)	(1,882)
Decrease by 200 basis points for interest rate in other currencies (2013: decrease by 200 basis points)	2,253	4,944	11,572	1,882

The Bank monitors interest rates for its financial instruments. The table below summarises weighted average interest rates at the respective reporting date based on reports reviewed by key management personnel.

	2014				**2013**			
In % p.a.	**BYR**	**USD**	**Euro**	**RUR**	**BYR**	**USD**	**Euro**	**RUR**
Assets								
Cash and cash equivalents	0%	0%	0%	11%	0%	0%	0%	4%
Due from other banks	49%	0%	1%	0%	-	3%	-	-
Loans and advances to customers	37%	11%	9%	14%	43%	10%	9%	13%
Investment securities available for sale	-	10%	-	-	-	8%	-	-
Liabilities								
Due to other banks	28%	6%	3%	17%	0%	6%	4%	0%
Customer accounts								
- current and settlement accounts	25%	3%	2%	0%	16%	4%	1%	1%
- term deposits	31%	6%	4%	13%	40%	6%	6%	8%
Debt securities in issue	20%	7%	7%	8%	26%	7%	7%	8%
Subordinated debt	-	6%	6%	-	-	7%	6%	-

The sign “-“ in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency.

The Treasury department makes use of currency swap to manage the risk. The Finance Committee regularly revises advisable interest rates of credits and limiting interest rates for deposits to form optimal cost of assets and liabilities.

Other price risk. The Bank has limited exposure to equity price risk.

The Bank is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Bank’s current year profit (loss) and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers.

Geographical risk concentrations. The geographical concentration of the Bank’s assets and liabilities at 31 December 2014 is set out below:

In millions of Belarusian Roubles	Belarus	Russia	Other CIS	Europe	USA	Other	Total
Assets							
Cash and cash equivalents	836,935	52,399	4	38,647	121,256	-	**1,049,241**
Mandatory cash balances with the National Bank of Belarus	40,987	-	-	-	-	-	**40,987**
Due from other banks	330,638	5,415	-	-	-	-	**336,053**
Loans and advances to customers	5,416,403	-	-	-	-	-	**5,416,403**
Investment securities available for sale	178,161	-	-	-	-	-	**178,161**
Derivative financial assets	639,078	-	-	12	-	-	**639,090**
Current income tax asset	11,625	-	-	-	-	-	**11,625**
Deferred income tax asset	4,728	-	-	-	-	-	**4,728**
Property, equipment and intangible assets	443,193	-	-	-	-	-	**443,193**
Other financial assets	15,179	-	-	522	-	-	**15,701**
Other assets	35,561	-	-	-	-	-	**35,561**
Total assets	**7,952,488**	**57,814**	**4**	**39,181**	**121,256**	**-**	**8,170,743**
Liabilities							
Due to other banks	148,822	928,705	178,435	786,244	-	12,275	**2,054,481**
Customer accounts	3,766,132	208,897	25,819	305,427	949	19,127	**4,326,351**
Debt securities in issue	326,285	-	-	-	-	-	**326,285**
Current income tax liability	14,969	-	-	-	-	-	**14,969**
Other financial liabilities	57,847	-	-	-	-	-	**57,847**
Other liabilities	76,053	-	-	-	-	-	**76,053**
Subordinated debt	-	-	-	88,010	-	-	**88,010**
Total liabilities	**4,390,108**	**1,137,602**	**204,254**	**1,179,681**	**949**	**31,402**	**6,943,996**
Net position	**3,562,380**	**(1,079,788)**	**(204,250)**	**(1,140,500)**	**120,307**	**(31,402)**	**1,226,747**
Credit related commitments, not secured by cash, net of provision	**331,948**	**-**	**-**	**-**	**-**	**-**	**331,948**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

The geographical concentration of the Bank's assets and liabilities at 31 December 2013 is set out below:

In millions of Belarusian Roubles	**Belarus**	**Russia**	**Other CIS**	**Europe**	**USA**	**Other**	**Total**
Assets							
Cash and cash equivalents	1,143,685	21,107	545	112,920	103,818	-	**1,382,075**
Mandatory cash balances with the National Bank of Belarus	51,682	-	-	-	-	-	**51,682**
Due from other banks	108,696	553	-	-	-	-	**109,249**
Loans and advances to customers	4,621,535		-	-	-	-	**4,621,535**
Investment securities available for sale	95,235	-	-	-	-	-	**95,235**
Derivative financial assets	562,437	-	-	-	-	-	**562,437**
Current income tax asset	13,956	-	-	-	-	-	**13,956**
Property, equipment and intangible assets	412,259	-	-	-	-	-	**412,259**
Other financial assets	21,222	-	-	4,574	-	-	**25,796**
Other assets	53,314	-	-	-	-	-	**53,314**
Total assets	**7,084,021**	**21,660**	**545**	**117,494**	**103,818**	**-**	**7,327,538**
Liabilities							
Due to other banks	111,170	167,888	431	1,020,265	-	-	**1,299,754**
Customer accounts	3,874,772	142,775	8,709	113,553	1,073	27,291	**4,168,173**
Debt securities in issue	527,605	-	-	-	-	-	**527,605**
Derivative financial liabilities	187	69	-	1,081	-	-	**1,337**
Current income tax liability	7,739	-	-	-	-	-	**7,739**
Deferred income tax liability	3,004						**3,004**
Other financial liabilities	82,033	-	-	-	-	-	**82,033**
Other liabilities	36,698	-	-	-	-	-	**36,698**
Subordinated debt	-	292,841	-	85,651	-	-	**378,492**
Total liabilities	**4,643,208**	**603,573**	**9,140**	**1,220,550**	**1,073**	**27,291**	**6,504,835**
Net position	**2,440,813**	**(581,913)**	**(8,595)**	**(1,103,056)**	**102,745**	**(27,291)**	**822,703**
Credit related commitments, not secured by cash, net of provision	**602,983**	**-**	**-**	**-**	**-**	**-**	**602,983**

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by Financial Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and debt securities. The Bank invests the funds in diversified portfolios of liquid assets. The target capital structure of assets and liabilities is assigned and the limits on attraction of resources from one creditor is fixed at the rate of USD 15,000 thousand, in order to be able to respond quickly and smoothly to unforeseen liquidity.

The Bank's Treasury Department requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Financial Department calculates liquidity ratios on a daily basis. These ratios are:

- Instant liquidity ratio, which is calculated as the ratio of highly-liquid assets to liabilities payable on demand;

- Current liquidity ratio, which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;

- Long-term liquidity ratio, which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank. The daily liquidity position is monitored by the Treasury Department.

Regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, controlling maintenance of management limits on liquidity risk, is performed by the Risk Management Department.

The Treasury Department manages the portfolio of securities.

The table below shows liabilities at 31 December 2014 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, gross credit related commitments, and contractual amounts to be exchanged under a gross settled currency swaps. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Bank expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of undiscounted financial liabilities at 31 December 2014 is as follows:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities					
Due to other banks	722,261	834,589	184,319	409,938	**2,151,107**
Customer accounts	2,528,169	546,662	738,537	760,874	**4,574,242**
Debt securities in issue	-	8,854	114,345	330,886	**454,085**
Other financial liabilities	15,702	3,778	6,371	31,996	**57,847**
Subordinated debt	452	2,186	2,681	115,273	**120,592**
Guarantees issued	266,350	-	-	-	**266,350**
Import letters of credit, not secured by cash	70,753	-	-	-	**70,753**
Total potential future payments for financial obligations	**3,603,687**	**1,396,069**	**1,046,253**	**1,648,967**	**7,694,976**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement.

The maturity analysis of undiscounted financial liabilities at 31 December 2013 is as follows:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities					
Due to other banks	521,583	521,613	43,079	226,161	**1,312,436**
Customer accounts	2,758,203	565,735	559,867	659,810	**4,543,615**
Debt securities in issue	1,227	17,767	275,659	354,224	**648,877**
Gross settled swaps and forwards:					**-**
- inflows	(213,792)	-	-	-	**(213,792)**
- outflows	215,129	-	-	-	**215,129**
Other financial liabilities	60,058	4,180	-	17,795	**82,033**
Subordinated debt	2,159	10,445	12,813	514,001	**539,418**
Guarantees issued	417,304	-	-	-	**417,304**
Import letters of credit, not secured by cash	189,459	-	-	-	**189,459**
Total potential future payments for financial obligations	**3,951,330**	**1,119,740**	**891,418**	**1,771,991**	**7,734,479**

Payments in respect of gross settled forwards will be accompanied by related cash inflows. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Belarusian Banking Code, individuals have a right to withdraw their deposits prior to maturity.

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank’s Treasury monitors contractual maturities and the resulting expected liquidity gap.

The following table represents analysis of assets and liabilities as at 31 December 2014 by their contractual maturities as determined by the Bank:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents	1,049,241	-	-	-	-	**1,049,241**
Mandatory cash balances with the National Bank of Belarus	-	-	-	-	40,987	**40,987**
Due from other banks	303,631	-	-	-	32,422	**336,053**
Loans and advances to customers	853,801	2,503,361	635,556	1,423,685	-	**5,416,403**
Investment securities available for sale	-	-	-	178,161	-	**178,161**
Derivative financial assets	12	-	302,862	336,216	-	**639,090**
Current income tax asset	-	11,625	-	-	-	**11,625**
Deferred income tax asset	-	-	-	-	4,728	**4,728**
Premises, equipment and intangible assets	-	-	-	-	443,193	**443,193**
Other financial assets	11,498	375	-	1,869	1,959	**15,701**
Other assets	28,288	4,851	177	74	2,171	**35,561**
Total assets	**2,246,471**	**2,520,212**	**938,595**	**1,940,005**	**525,460**	**8,170,743**
Liabilities						
Due to other banks	718,297	814,293	174,240	347,651	-	**2,054,481**
Customer accounts	2,491,069	499,902	701,034	634,346	-	**4,326,351**
Debt securities in issue	-	-	107,923	218,362	-	**326,285**
Current income tax liability	14,969	-	-	-	-	**14,969**
Other financial liabilities	15,670	3,778	6,371	31,996	32	**57,847**
Other liabilities	53,378	22,663	4	8	-	**76,053**
Subordinated debt	-	-	-	88,010	-	**88,010**
Total liabilities	**3,293,383**	**1,340,636**	**989,572**	**1,320,373**	**32**	**6,943,996**
Net expected liquidity gap	**(1,046,912)**	**1,179,576**	**(50,977)**	**619,632**	**525,428**	**1,226,747**
Cumulative expected liquidity gap	**(1,046,912)**	**132,664**	**81,687**	**701,319**	**1,226,747**	

Significant mismatch in the liquidity position up to 1 month is caused by significant portion of customer accounts classified into the category “Demand and less than 1 month”. The Bank’s management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank. The Bank’s management believes that the Bank will be able to attract sufficient interbank borrowings to finance potential customer short-term funds withdrawal. The Bank has positive cumulative expected liquidity gap for all other maturity periods.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

The following table represents analysis of assets and liabilities as at 31 December 2013 by their contractual maturities as determined by the Bank:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents	1,382,075	-	-	-	-	1,382,075
Mandatory cash balances with the National Bank of Belarus	-	-	-	-	51,682	51,682
Due from other banks	109,249	-	-	-	-	109,249
Loans and advances to customers	696,556	2,351,005	511,887	1,062,008	79	4,621,535
Investment securities available for sale	-	-	-	95,235	-	95,235
Derivative financial assets	94	-	-	562,343	-	562,437
Current income tax asset	-	13,956	-	-	-	13,956
Premises, equipment and intangible assets	-	-	-	-	412,259	412,259
Other financial assets	25,415	174	5	-	202	25,796
Other assets	41,939	2,358	143	6,269	2,605	53,314
Total assets	**2,255,328**	**2,367,493**	**512,035**	**1,725,855**	**466,827**	**7,327,538**
Liabilities						
Due to other banks	520,015	514,201	42,139	223,399	-	1,299,754
Customer accounts	2,728,382	531,164	539,117	369,510	-	4,168,173
Debt securities in issue	-	-	242,877	284,728	-	527,605
Derivative financial liabilities	1,337	-	-	-	-	1,337
Current income tax liability	7,739	-	-	-	-	7,739
Deferred income tax liability	-	-	-	-	3,004	3,004
Other financial liabilities	59,835	4,180	-	17,795	223	82,033
Other liabilities	24,504	12,194	-	-	-	36,698
Subordinated debt	-	-	-	378,492	-	378,492
Total liabilities	**3,341,812**	**1,061,739**	**824,133**	**1,273,924**	**3,227**	**6,504,835**
Net expected liquidity gap	**(1,086,484)**	**1,305,754**	**(312,098)**	**451,931**	**463,600**	**822,703**
Cumulative expected liquidity gap	**(1,086,484)**	**219,270**	**(92,828)**	**359,103**	**822,703**	

Operational risk. The Bank reviews operational risk by development and monitoring the Key Risk Indicators (KRI) of the guidelines for the Bank’s activities. The senior executives of all Bank departments provide the Department of Risk Management with information about operational risks. The Risk Management Department performs an analysis of operating risk accidents and takes part in developing measures to prevent operating risk accidents. The Bank’s Management Board is informed of the KRI and operating risk accidents by means of quarterly reports.

31 Management of Capital

The Bank’s objectives when managing capital are (i) to comply with the capital requirements set by the National Bank of Belarus, (ii) to safeguard the Bank’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the National Bank of Belarus is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank’s Chief Executive Officer. Other objectives of capital management are evaluated on a regular basis.

Under the current capital requirements set by the National Bank of Belarus, banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital ratio”) above a prescribed minimum level (10%). Regulatory capital is based on the Bank’s reports prepared under Belarusian accounting standards and comprises:

In millions of Belarusian Roubles	**2014**	**2013 (non hyperinflated)**
Net assets under Belarusian GAAP	1,240,933	696,232
Plus subordinated debt	88,010	324,616
Plus adjustment for revaluation fund for securities available for sale	-	(192)
Less intangible assets	(41,830)	(29,773)
Less borrowings granted	(100)	(121)
Less income accrued in 2014 - either overdue or not received after 30 days from the accrual date	(18,484)	-
Less income accrued in 2013 - either overdue or not received after 30 days from the accrual date	-	(11,545)
Less income accrued in the previous years - either overdue or not, but not yet received	(7,252)	(8,794)
Less adjustment for Tier 2 capital (should not exceed Tier 1 capital)	-	(94,040)
Total regulatory capital	**1,261,277**	**876,383**

The minimal level of regulatory capital established by the National Bank of Belarus amounts to EUR 25 million which is equivalent as at 31 December 2014 to BYR 359,500 million (2013: BYR 379,974 million).

The Bank’s management also monitors capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Bank’s capital calculated in accordance with Basel Accord is as follows:

In millions of Belarusian Roubles	2014	2013
Tier 1 capital		
Share capital	1,063,410	778,919
Retained earnings	110,813	12,824
Revaluation reserve for investment securities available for sale	(6,153)	(613)
Total tier 1 capital	**1,168,070**	**791,130**
Tier 2 capital		
Subordinated debt (adjusted for residual maturity)	88,010	378,451
Revaluation surplus for investment securities available for sale	-	-
Revaluation surplus for buildings and construction in progress	58,677	31,573
Total tier 2 capital	**146,687**	**410,024**
Total capital per Basel I	**1,314,757**	**1,201,154**
Capital Ratios:		
Tier 1 capital	14.3%	11.8%
Total capital	16.1%	17.9%

The Bank has complied with all externally imposed capital requirements throughout 2014 and 2013 years.

32 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank may be received. On the basis of its own estimates and both internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these financial statements.

Tax contingencies. Belarusian tax and other legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for indefinite period. The Bank's management believes that the Bank applies tax accounting approaches that will be accepted by tax authorities as fully compliant with valid tax legislation of the Republic of Belarus.

As Belarusian tax legislation does not provide definitive guidance in certain areas, the Bank adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Bank. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

Due to situation on foreign currency market described in note 2 the Bank calculated contingent liability. Contingent liability on the payment of tax in case of purchase of foreign currency at the Belarusian Currency and Stock Exchange by the Bank for the repayment of obligation to customers in foreign currency equals to BYR 747,717 million. It is estimated as the difference between foreign currency liabilities less subordinated debt less liquid foreign currency assets multiplied by 20%.

On 8 January 2015 the tax on purchase of foreign currency was abolished (note 37).

Capital expenditure commitments. At 31 December 2014 and 2013, the Bank has no material contractual capital expenditure commitments in respect of premises and equipment and in respect of software and other intangible assets.

The Bank has already allocated the necessary resources in respect of these commitments. The Bank believes that future net income and funding will be sufficient to cover this and any similar such commitments.

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

Compliance with covenants. The Bank complies with financial covenants in respect of its borrowings.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since all Bank's commitments to extend credit can be revocable without a material adverse change in the borrower performance.

Outstanding credit related commitments are as follows:

In millions of Belarusian Roubles	**Note**	**2014**	**2013**
Guarantees issued		266,350	417,304
Import letters of credit secured by cash	15	315,158	381,433
Import letters of credit, not secured by cash		70,753	189,459
Total credit related commitments, gross		**652,261**	**988,196**
Less: Provision for credit related commitments	17	(5,155)	(3,780)
Total credit related commitments, net of provision		**647,106**	**984,416**

The total outstanding contractual amount of letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Movement in the provision for losses on credit related commitments were as follows:

In millions of Belarusian Roubles	**2014**	**2013**
Provision for losses on credit related commitments at 1 January	**3,780**	**20,567**
(Release)/provision for credit related commitments during the year	846	(14,766)
Currency translation differences	1,056	891
Monetary gain	(527)	(2,912)
Provision for losses on credit related commitments at 31 December	**5,155**	**3,780**

Credit related commitments are denominated in currencies as follows:

In millions of Belarusian Roubles	**2014**	**2013**
Euro	512,094	695,440
US Dollars	97,522	214,816
Russian Roubles	6,728	40,421
Belarusian rouble	35,069	37,519
Other	848	-
Total credit related commitments, gross	**652,261**	**988,196**

Assets pledged and restricted. The Bank had no assets pledged as collateral except for the following:

At 31 December 2014, due from other banks balances of BYR 32,422 million (2013: BYR 30,787 million) are placed as a cover for letters of credit and international payment cards transactions (Note 8).

In addition, mandatory cash balances with the National Bank of Belarus of BYR 40,987 million (2013: BYR 51,682 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations as disclosed in Note 3.

33 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts have both short term and long-term maturities:

	Note	**2014**		**2013**	
In millions of Belarusian Roubles		**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of					
- USD receivable on settlement (+)		878,888	-	715,466	182,105
- USD payable on settlement (-)		-	-	(11,656)	(31,735)
- Euros receivable on settlement (+)		-	-	-	26,162
- Euros payable on settlement (-)		(86,760)	-	-	-
- Russian roubles payable on settlement (-)		-	-	-	(142,317)
- Belarusian roubles receivable on settlement (+)		-	-	11,750	5,525
- Belarusian roubles payable on settlement (-)		(153,038)	-	(153,123)	(41,077)
Net fair value of foreign exchange forwards and swaps	**30**	**639,090**	**-**	**562,437**	**(1,337)**

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The gains less losses from financial derivatives recognised in statement of comprehensive income in the amount of BYR 145,981 million (2013: BYR 85,455 million) are mainly represented by positive change in fair value of foreign currency swaps with the National Bank of Belarus. Please refer to Note 4 for detail.

34 Fair Value of Financial Instruments

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

	2014		2013	
In millions of Belarusian Roubles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS				
Cash and cash equivalents	1,049,241	1,049,241	1,382,075	1,382,075
Mandatory cash balances with the National Bank of Belarus	40,987	40,987	51,682	51,682
Due from other banks	336,053	336,053	109,249	109,249
Loans and advances to customers				
- Corporate loans	4,054,902	4,054,902	3,094,663	3,094,663
- Loans to small and medium enterprises (SME)	435,403	435,403	543,654	543,654
- Finance lease receivables	108,408	108,408	145,980	145,980
- Corporate bonds classified as loans and receivables	56,290	56,290	39,796	39,796
- Loans to individuals	761,400	673,287	797,442	771,814
Other financial assets	15,701	15,701	25,796	25,796
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**6,858,385**	**6,770,272**	**6,190,337**	**6,164,709**
FINANCIAL LIABILITIES				
Due to other banks	2,054,481	2,054,481	1,299,754	1,299,754
Customer accounts	4,326,351	4,326,858	4,168,173	4,166,581
Debt securities in issue	326,285	326,285	527,605	527,605
Other financial liabilities	57,847	57,847	82,033	82,033
Subordinated debt	88,010	88,010	378,492	378,492
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**6,852,974**	**6,853,481**	**6,456,057**	**6,454,465**

(b) Recurring fair value measurements.

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	2014			2013		
In millions of Belarusian Roubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**
ASSETS AT FAIR VALUE						
FINANCIAL ASSETS						
Investment securities available for sale	-	-	178,161	-	95,235	-
Derivative financial assets	-	12	639,078	-	562,437	-
NON-FINANCIAL ASSETS						
Premises		314,838	-	-	156,004	-
Construction in progress		-	-	-	166,354	-
TOTAL ASSETS RECURRING FAIR VALUE MEASUREMENTS	**-**	**314,850**	**817,239**	**-**	**980,030**	**-**
LIABILITIES CARRIED AT FAIR VALUE						
FINANCIAL LIABILITIES						
Derivative financial liabilities	-	-	-	-	1,337	-
TOTAL LIABILITIES RECURRING FAIR VALUE MEASUREMENTS	**-**	**-**	**-**	**-**	**1,337**	**-**

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

As at 31 December 2014 currency swaps with the National Bank of Belarus and investment securities available for sale are categorised under the third level of fair value hierarchy since its fair value is assessed with significant non-observable inputs in the market (Level 3).

As at 31 December 2013 currency swaps with the National Bank of Belarus and investment securities available for sale are categorised under the second level of fair value hierarchy since its fair value is assessed with significant inputs observable in the market (Level 2).

(c) Reconciliation of movements in instruments belonging to level 2 of the fair value hierarchy.

A reconciliation of movements in Level 2 of the fair value hierarchy by class of instruments for the year ended 31 December 2014 and 2013 is as follows:

	2014		**2013**	
In millions of Belarusian Roubles	**Investment securities available for sale**	**Derivative financial assets**	**Investment securities available for sale**	**Derivative financial assets**
Fair value at 1 January	**95,235**	**562,437**	**255,604**	**-**
Transfers into level 2	-	-	-	562,343
Gains or losses recognised in profit or loss for the year	101,902	155,065	(124,421)	94
Loss on monetary position	(13,479)	(78,412)	(36,632)	-
Gains or losses recognised in other comprehensive income	(5,497)	-	684	-
Transfers out of level 2	(178,161)	(639,078)	-	-
Fair value at 31 December	**-**	**12**	**95,235**	**562,437**
Cumulative revaluation gains less losses recognised in profit or loss for the current or prior years for assets held at 31 December	**-**	**12**	**95,235**	**562,437**
Sensitivity of fair value at 31 December to reasonably possible changes in assumptions not based on observable market data				
Effect on fair value of 2% increase in USD interest rate used to discount future cash flows under derivative	**(4,585)**	**(13,485)**	**-**	**-**
Effect on fair value of 2% decrease in BYR interest rate used to discount future cash flows under derivative	**-**	**(1,860)**	**-**	**-**

Gains and losses on derivatives are presented separately in profit or loss for the year.

The sensitivity to valuation assumptions disclosed in the table above represents by how much the fair value of current swap with the National Bank of Belarus and investment securities available for sale could increase or decrease had management used reasonably possible alternative valuation assumptions that are not based on observable market data, primarily the credit risk premium above the risk free discount rate in the discounted cash flow valuation technique applied by the Bank.

(d) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

In millions of Belarusian Roubles	31 December 2014 Level 1	Level 2	Level 3	Carrying value	31 December 2013 Level 1	Level 2	Level 3	Carrying value
ASSETS								
Cash and cash equivalents	-	1,049,241	-	1,049,241	-	1,382,075	-	1,382,075
Mandatory cash balances with the National Bank	-	40,987	-	40,987	-	51,682	-	51,682
Due from other banks	-	336,053	-	336,053	-	109,249	-	109,249
Loans and advances to customers								
- Corporate loans	-	4,054,902	-	4,054,902	-	3,094,663	-	3,094,663
- Loans to small and medium enterprises (SME)	-	435,403	-	435,403	-	543,654	-	543,654
- Finance lease receivables	-	108,408	-	108,408	-	145,980	-	145,980
- Corporate bonds classified as loans and receivables	-	56,290	-	56,290	-	39,796	-	39,796
- Loans to individuals	-	673,287	-	761,400	-	771,814	-	797,442
Other financial assets	-	15,701	-	15,701	-	25,796	-	25,796
TOTAL	**-**	**6,770,272**	**-**	**6,858,385**	**-**	**6,164,709**	**-**	**6,190,337**

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

In millions of Belarusian Roubles	31 December 2014 Level 1	Level 2	Level 3	Carrying value	31 December 2013 Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES								
Due to other banks	-	2,054,481		2,054,481	-	1,299,754	-	1,299,754
Customer accounts	-	4,326,858		4,326,351	-	4,166,581	-	4,168,173
Debt securities in issue	-	326,285		326,285	-	527,605	-	527,605
Other financial liabilities	-	57,847		57,847	-	82,033	-	82,033
Subordinated debt	-	88,010		88,010	-	378,492	-	378,492
TOTAL	**-**	**6,853,481**	**-**	**6,852,974**	**-**	**6,454,465**	**-**	**6,456,057**

(e) The methods and assumptions applied in determining fair values.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices were not available, the Bank used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	2014	2013
Due from other banks		
US dollar	0%	3%
Russian rouble	-	-
Euro	1%	0%
Belarusian rouble	-	-
Loans and advances to customers		
US dollar	11%	10%
Russian rouble	14%	13%
Euro	9%	9%
Belarusian rouble	46%	47%
Due to other banks		
US dollar	6%	6%
Russian rouble	17%	0%
Euro	3%	4%
Belarusian rouble	28%	0%
Customer accounts		
- Current/settlement accounts		
US dollar	3%	4%
Russian rouble	0%	1%
Euro	2%	1%
Belarusian rouble	25%	16%
- Term deposits		
US dollar	6%	6%
Russian rouble	13%	8%
Euro	4%	6%
Belarusian rouble	31%	40%
Debt securities in issue		
US dollar	6%	7%
Russian rouble	8%	8%
Euro	7%	7%
Belarusian rouble	20%	26%
Subordinated debt		
US dollar	6%	7%
Euro	6%	6%

35 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss ("FVTPL"). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2014:

In millions of Belarusian Roubles	**Loans and receiv-ables**	**Availa-ble-for-sale assets**	**Trading assets**	**Total**
ASSETS				
Cash and cash equivalents	1,049,241	-	-	**1,049,241**
Mandatory cash balances with the National Bank of Belarus	40,987	-	-	**40,987**
Due from other banks	336,053	-	-	**336,053**
Loans and advances to customers				
Corporate loans	4,054,902	-	-	**4,054,902**
Loans to small and medium enterprises (SME)	435,403	-	-	**435,403**
Finance lease receivables	108,408	-	-	**108,408**
Corporate bonds classified as loans and receivables	56,290	-	-	**56,290**
Loans to individuals	761,400	-	-	**761,400**
Investment securities available for sale	-	178,161	-	**178,161**
Derivative financial assets	-	-	639,090	**639,090**
Other financial assets	15,701	-	-	**15,701**
TOTAL FINANCIAL ASSETS	**6,858,385**	**178,161**	**639,090**	**7,675,636**

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2013:

In millions of Belarusian Roubles	**Loans and receiv-ables**	**Availa-ble-for-sale assets**	**Trading assets**	**Total**
ASSETS				
Cash and cash equivalents	1,382,075	-	-	1,382,075
Mandatory cash balances with the National Bank of Belarus	51,682	-	-	51,682
Due from other banks	109,249	-	-	109,249
Loans and advances to customers				
Corporate loans	3,094,663	-	-	3,094,663
Loans to small and medium enterprises (SME)	543,654	-	-	543,654
Finance lease receivables	145,980	-	-	145,980
Corporate bonds classified as loans and receivables	39,796	-	-	39,796
Loans to individuals	797,442	-	-	797,442
Investment securities available for sale	-	95,235	-	95,235
Derivative financial assets	-	-	562,437	562,437
Other financial assets	25,796	-	-	25,796
TOTAL FINANCIAL ASSETS	**6,190,337**	**95,235**	**562,437**	**6,848,009**

As at 31 December 2014 and 31 December 2013, all of the Bank's financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

36 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2014, the outstanding balances with related parties were as follows:

In millions of Belarusian Roubles	**Parent company**	**Entities under common control**	**Key management personnel**
Cash and cash equivalents	-	50,117	-
Due from other banks (contractual interest rate: 0 - 55%)	-	5,415	-
Gross amount of loans and advances to customers (contractual interest rate: 11 - 40 %)	-	110,192	2,565
Allowance for impairment of loans and advances to customers at 31 December	-	(2,722)	(104)
Derivative financial assets	-	12	-
Other financial assets	-	5,919	2
Due to other banks (contractual interest rate: 4 - 23%)	-	840,545	-
Customer accounts (contractual interest rate: 0 - 52%)	-	37,505	10,055
Other financial and non-financial liabilities	-	365	6,285
Subordinated debt (contractual interest rate: 5 - 6%)	88,010	-	-

At 31 December 2013, the outstanding balances with related parties were as follows:

In millions of Belarusian Roubles	**Parent company**	**Entities under common control**	**Key management personnel**
Cash and cash equivalents	-	19,239	-
Gross amount of loans and advances to customers (contractual interest rate: 11 - 65 %)	-	90,942	1,283
Allowance for impairment of loans and advances to customers at 31 December	-	(4,804)	(22)
Derivative financial assets	-	94	-
Other financial assets	-	4,492	1
Due to other banks (contractual interest rate: 0 - 8%)	-	383,278	-
Customer accounts (contractual interest rate: 0 - 52%)	-	11,046	11,346
Derivative financial liabilities	-	1,134	-
Other financial and non-financial liabilities	-	56	6,098
Subordinated debt (contractual interest rate: 5 - 8%)	85,651	292,841	-

The income and expense items with related parties for 2014 and 2013 were as follows:

	2014			2013		
In millions of Belarusian Roubles	**Parent company**	**Entities under common control**	**Key management personnel**	**Parent company**	**Entities under common control**	**Key management personnel**
Interest income	-	10,667	137	-	3,678	87
Interest expense	(4,722)	(37,556)	(707)	(5,306)	(44,900)	(436)
Allowance for impairment of loans to customers	-	2,082	(82)	-	(4,536)	35
Fee and commission income	-	10,273	77	-	8,337	29
Fee and commission expense	-	(3,531)	-	-	(1,678)	-
Gains less losses from financial derivatives	-	13	-	-	(1,039)	-
Gains less losses from trading in foreign currencies	-	9,174	-	-	-	-
Other operating income	-	12	-	-	-	-
Administrative and other operating expenses	-	(222)	(33,494)	-	(503)	(29,647)

Key management compensation is presented below:

	2014		2013	
In millions of Belarusian Roubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries and short-term bonuses	28,550	5,726	25,918	4,536
Post-employment benefits:				
- State pension and social security costs	4,944	559	3,729	1,562
Total compensation	**33,494**	**6,285**	**29,647**	**6,098**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The credit commitments with related parties for 2014 and 2013 were as follows:

	2014			2013		
In millions of Belarusian Roubles	**Parent company**	**Entities under common control**	**Key management personnel**	**Parent company**	**Entities under common control**	**Key management personnel**
Import letters of credit	-	18,340	-	-	66,443	-

37 Events After the End of the Reporting Period

Devaluation of Belarusian rouble. As at 5 January 2015 the National bank of Belarus has decreased the tax on purchase of foreign currency from 20% to 10%. On 8 January 2015 the tax on purchase was abolished. Official exchange rates of Euro and US dollar were 15,300 BYR and 12,800 BYR as at 8 January 2015. As at 10 March 2015, exchange rates of Euro and US dollar were 16,240 BYR and 14,950 BYR, respectively.