BELGAZPROMBANK

Financial Statements
For the Year Ended 31 December 2013

BELGAZPROMBANK

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

Management is responsible for the preparation of the financial statements that present fairly, in all material respects, the financial position of Belorussian-Russian Belgazprombank Joint Stock ("Belgazprombank" or the "Bank") as at 31 December 2013, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

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

Management is also responsible for:

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

The financial statements of the Bank for the year ended 31 December 2013 were approved on 3 March 2014 by the Chairman of the Management Board of Belgazprombank.

On behalf of the Management Board of the Bank:

Chairman of the Management Board	**Chief Accountant**
V.D. Babariko	**T.M. Pivovar**
3 March 2014	3 March 2014
Minsk	Minsk

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INDEPENDENT AUDITOR’S REPORT

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

We have audited the accompanying financial statements of Belorussian-Russian Belgazprombank Joint Stock (“Belgazprombank” or the “Bank”), which comprise the balance sheet as at 31 December 2013, the corresponding income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for Financial Reporting

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

Auditor’s responsibility

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

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

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

Opinion

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

Deloitte & Touche

3 March 2014
Minsk

BELGAZPROMBANK

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Belarusian Rubles)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
Interest income	4, 28	1,589,172	1,571,735
Interest expense	4, 28	(794,345)	(856,001)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		794,827	715,734
Provision for impairment losses on interest-bearing assets	5, 28	(110,443)	(82,111)
Recovery of assets previously written off		15,153	26,280
NET INTEREST INCOME		699,537	659,903
Net (loss)/gain on foreign exchange operations	6	(45,422)	125,495
Net gain on operations with financial instruments at fair value through profit or loss	7	202,598	245,404
Fee and commission income	8, 28	296,157	254,705
Fee and commission expense	8, 28	(64,540)	(47,349)
Net (loss)/gain on precious metals operations		(193)	5,843
(Provision)/recovery of provision for other operations	5	(2,936)	7,261
Other income	9, 28	22,331	21,216
NET NON-INTEREST INCOME		407,995	612,575
OPERATING INCOME		1,107,532	1,272,478
OPERATING EXPENSES	10, 28	(579,377)	(472,515)
Loss on net monetary position due to inflation		(340,120)	(369,509)
PROFIT BEFORE TAX		188,035	430,454
Income tax expense	11	(81,701)	(103,089)
NET PROFIT		**106,334**	**327,365**

On behalf of the Management Board of the Bank:

Chairman of the Management Board
V.D. Babariko

3 March 2014
Minsk

Chief Accountant
T.M. Pivovar

3 March 2014
Minsk

The notes on pages 9-57 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Belarusian Rubles)

	Year ended 31 December 2013	Year ended 31 December 2012
NET PROFIT	106,334	327,365
OTHER COMPREHENSIVE (LOSS)/INCOME		
Items that may be reclassified subsequently to profit or loss:		
Transfer of comprehensive loss to profit or loss upon disposal of investments available for sale	55	23
Change in fair value of investments available for sale	(20,456)	13,313
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME	(20,401)	13,336
TOTAL COMREHENSIVE INCOME	**85,933**	**340,701**

On behalf of the Management Board of the Bank:

Chairman of the Management Board
V.D. Babariko

3 March 2014
Minsk

Chief Accountant
T.M. Pivovar

3 March 2014
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BELGAZPROMBANK

BALANCE SHEET
AS AT 31 DECEMBER 2013
(in millions of Belarusian Rubles)

	Notes	31 December 2013	31 December 2012
ASSETS:			
Cash and cash equivalents	12, 28	2,207,376	2,434,256
Precious metals		9,373	16,345
Securities at fair value through profit or loss	13, 28	664,295	561,188
Derivative financial instruments, assets	14	1,480,897	1,468,040
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	15	351,417	451,173
Loans to customers	16, 28	9,242,660	7,191,010
Investments available for sale	17	649,258	154,464
Property, equipment and intangible assets	18	487,469	396,974
Non-current assets held for sale	19	16,318	40,537
Investment property	20	4,055	-
Other assets	21, 28	144,354	107,065
TOTAL ASSETS		**15,257,472**	**12,821,052**
LIABILITIES AND EQUITY			
LIABILITIES:			
Derivative financial instruments, liabilities	14	501	4,299
Due to banks and other financial institutions	22, 28	4,406,831	2,831,300
Customer accounts	23, 28	7,337,527	6,654,972
Debt securities issued	24	620,083	415,283
Current income tax liability		45,848	18,190
Deferred income tax liability	11	67,178	86,552
Other liabilities	25, 28	69,947	67,425
Total liabilities		12,547,915	10,078,021
EQUITY:			
Share capital	26	2,694,339	2,694,339
Investments available for sale revaluation reserve		(10,415)	9,986
Retained earnings		25,633	38,706
Total equity		2,709,557	2,743,031
TOTAL LIABILITIES AND EQUITY		**15,257,472**	**12,821,052**

On behalf of the Management Board of the Bank:

Chairman of the Management Board
V.D. Babariko

3 March 2014
Minsk

Chief Accountant
T.M. Pivovar

3 March 2014
Minsk

The notes on pages 9-57 form an integral part of these financial statements.

BELGAZPROMBANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Belarusian Rubles)

	Notes	Share capital	Investments available for sale revaluation reserve	(Accumulated deficit)/ Retained earnings	Total equity
31 December 2011		1,611,398	(3,350)	(217,621)	1,390,427
Additional contributions to the share capital		1,082,941	-	-	1,082,941
Total comprehensive income for the year		-	13,336	327,365	340,701
Dividends declared	26	-	-	(71,038)	(71,038)
31 December 2012		2,694,339	9,986	38,706	2,743,031
Total comprehensive income for the year		-	(20,401)	106,334	85,933
Dividends declared	26	-	-	(119,407)	(119,407)
31 December 2013		2,694,339	(10,415)	25,633	2,709,557

On behalf of the Management Board of the Bank:

Chairman of the Management Board
V.D. Babariko

3 March 2014
Minsk

Chief Accountant
T.M. Pivovar

3 March 2014
Minsk

The notes on pages 9-57 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Belarusian Rubles)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax and loss on net monetary position		528,155	799,963
Adjustments for:			
Provision for impairment losses on interest-bearing assets		110,443	82,111
Provision/(recovery of provision) for other operations		2,936	(7,261)
Net change in fair value of derivative financial instruments		(238,675)	(179,741)
Net change in fair value of precious metals		1,017	164
Net change in fair value of securities at fair value through profit or loss		4,473	(79,999)
Effect of assets recognition at non-market rate		2,673	1,895
Depreciation and amortization expense		45,238	36,359
Gain from sale of property, equipment and non-current assets held for sale		(5,180)	(11,545)
Accrual of compensation payable to employees		6,084	8,627
Net change in accrued interest income and expenses		(82,724)	(65,095)
Net change in accruals of commission and penalties		(5,425)	(1,845)
Loss on sale of investments available for sale		55	23
Foreign exhange translation differences, net		115,583	(59,092)
Cash flows from operating activities before changes in operating assets and liabilities		484,653	524,564
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of the Republic of Belarus		(27,077)	(46,098)
Due from banks and other financial institutions		106,129	(387,347)
Precious metals		3,999	46,626
Securities at fair value through profit or loss		(126,835)	231,214
Loans to customers		(2,633,300)	(2,588,774)
Other assets		(44,736)	(10,598)
Increase/(decrease) in operating liabilities:			
Loans from the National Bank of the Republic of Belarus		-	(2 420)
Due to banks and other financial institutions		958,258	313,437
Customer accounts		1,189,650	2,192,712
Other liabilities		(6,170)	(3,264)
Cash (outflow)/inflow from operating activities before taxation		(95,429)	270,052
Income tax paid		(68,412)	(45,454)
Net cash (outflow)/inflow from operating activities		(163,841)	224,598

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2013
(in millions of Belarusian Rubles)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, equipment and intangible assets		(126,912)	(94,940)
Proceeds on sale of property, equipment and intangible assets		6,724	23,310
Proceeds on sale of non-current assets held for sale		21,333	1,385
(Purchases)/Proceeds on disposal of investments available for sale, net		(558,678)	(111,341)
Net cash outflow from investing activities		(657,533)	(181,586)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of subordinated debt		-	(490,606)
Contributions to the share capital		-	1,082,941
Raising finance by issuing debt securities, net		219,730	88,853
Repayment of loans received from international financial institutions		(395,479)	(421,323)
Loans received from international financial institutions		1,162,049	262,646
Dividends paid		(119,407)	(71,038)
Net cash inflow from financing activities		866,893	451,473
NET INCREASE IN CASH AND CASH EQUIVALENTS		45,519	494,485
Effect of changes in foreign exchange rates on cash and cash equivalents		76,791	69,933
Effect of inflation on cash and cash equivalents		(349,190)	(480,710)
CASH AND CASH EQUIVALENTS, beginning of the year	12	2,434,256	2,350,548
CASH AND CASH EQUIVALENTS, end of the year	12	2,207,376	2,434,256

Interest paid and received by the Bank during the year ended 31 December 2013 amounted to BYR 779,341 million and BYR 1,491,444 million, respectively.

Interest paid and received by the Bank during the year ended 31 December 2012 amounted to BYR 863,799 million and BYR 1,514,438 million, respectively.

During the years ended 31 December 2013 and 2012 the Bank received real estate (administrative and other non-residential facilities) through repossession of collateral pledged under the default loans in the amount of BYR 1,119 million and BYR 47,572 million respectively, which represents non-cash transactions.

On behalf of the Management Board of the Bank:

Chairman of the Management Board **V.D. Babariko**	**Chief Accountant** **T.M. Pivovar**
3 March 2014 Minsk	3 March 2014 Minsk

The notes on pages 9-57 form an integral part of these financial statements.

1. ORGANIZATION

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

The Bank conducts its business under the license for performing banking operations # 8 issued by the National Bank on 23 May 2013. The Bank accepts deposits from the public, grants loans, transfers payments in the Republic of Belarus and abroad, exchanges currencies, carries out operations with securities and provides other banking services to its corporate customers and individuals.

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

As at 31 December 2013 and 2012 the structure of the Bank’s share capital was as follows:

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

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

These financial statements were authorized for issue by the Chairman of the Management Board of the Bank on 3 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Other basis of presentation criteria

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

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

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

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

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

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

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

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

The Bank presents its balance sheet accounts broadly in order of liquidity. The analysis regarding recovery of financial assets or repayment of financial liabilities within 12 months after the balance sheet date (current) and more than 12 months after the balance sheet date (non-current) is presented in Note 31.

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

The principal accounting policies are set out below.

Hyperinflationary accounting

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

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

The restatement was made using the Consumer Price Index (CPI), published by the National Statistical Committee of the Republic of Belarus. The change of rates of the Consumer Price Index for the five year period ended 31 December 2013 was as follows:

Year	% change
2009	10.1%
2010	9.9%
2011	108.7%
2012	21.8%
2013	16.5%

Monetary assets and liabilities were not restated because they are already expressed in terms of the monetary unit current at 31 December 2013. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current at 31 December 2013) and components of equity were restated by applying the relevant price index. The effect of inflation on Bank's net monetary position is included in the income statement as gain or loss on net monetary position.

Tangible and intangible assets, share capital were restated using indices, calculated from the date of purchase or contribution. Opening retained earnings were restated using price index for 2013.

Amounts included in the income statement have been indexed by the change in the CPI for the year 2013 based on the assumption that income and expenses have been accrued evenly over the month.

Recognition of interest income and expense

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

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

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

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

Recognition of income on repurchase and reverse repurchase agreements

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

Recognition of revenue – other

Recognition of fee and commission income

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

Recognition of dividend income

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

Recognition of lease income

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

Financial Instruments

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

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

Financial assets

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

Cash and cash equivalents

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

Mandatory reserve deposit with the National Bank

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

Financial assets at fair value through profit or loss

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

A financial asset is classified as "held for trading" if:

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

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 29.

Derivative financial instruments

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

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

Available-for-sale financial assets

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

Classified as available for sale shares and bonds that are not quoted in an active market are stated at fair value, as far as the management of the Bank considers that their fair value can be reliably measured. Fair value is determined in the manner described in Note 29. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments available for sale revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest rate method, and foreign exchange translation differences, which are recognized in profit or loss. Where the financial asset is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments available-for-sale revaluation reserve is reclassified to profit or loss in the period of disposal or impairment.

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

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

Loans and receivables

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

Repurchase and reverse repurchase agreements

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

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

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

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

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

Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

Renegotiated loans

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

Write-off of loans

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

Derecognition of Financial Assets

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

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

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

Financial liabilities and equity instruments issued

Classification as debt or equity

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

Equity instruments

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

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

Financial liability

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

Financial liabilities are subsequently measured at amortized cost. Interest expense is recognized on an effective interest rate basis.

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

Derecognition of financial liabilities

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

Financial guarantee contracts

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

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

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

Leases

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

The Bank as a lessor

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

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

The Bank as a lessee

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

Precious metals

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

Property and equipment

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

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

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

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

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

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

Intangible assets

Intangible assets acquired separately

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

	Average annual amortization rate
Intangible assets	21%

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

Impairment of tangible and intangible asset

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

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

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

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

Investment property

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

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

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

Current income tax

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

Deferred income tax

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

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

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

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

Current and deferred tax for the year

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

Operating taxes

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

Provisions

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

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

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

Commitments and contingencies

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

Functional currency

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

Foreign currency

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

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

	31 December 2013	**31 December 2012**
USD/BYR	9,510.00	8,570.00
EUR/BYR	13,080.00	11,340.00
RUB/BYR	290.50	282.00

Collateral

The Bank obtains collateral to secure loans to customers where appropriate. The collateral normally takes the form of a lien over the borrowers' assets and gives the Bank a claim over these assets for both existing and future borrowers obligations.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

Impairment of loans and receivables

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

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

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

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

Measurement of derivative financial instruments fair value

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

Derivative financial instruments representing forward contracts with securities with open and fixed delivery dates are measured at fair value which is calculated as net result between fair value of claims and obligations.

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

- The best available bid price and low ask that are identified by the stock exchange (bidding process organizer) or leading banks (market participants);
- The current value of a security calculated on a straight-line method basd on the yield established by the issuer at the initial placement.

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

Useful lives of property and equipment

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

Application of new and revised IFRS and IFRIC

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

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements (IFRS 10), IFRS 11 Joint Arrangements (IFRS 11), IFRS 12 Disclosure of Interests in Other Entities (IFRS 12), IAS 27 (as revised in 2011) Separate Financial Statements (IAS 27) and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures (IAS 28). Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

As far as the Bank does not have any associates or subsidiaries, the adoption of the aforesaid amendments did not affect the financial statements.

Amendments to IFRS 7 *Financial instruments: Disclosures*. The Bank has applied the amendments to IFRS 7 Disclosures-Offsetting Financial Assets and Financial Liabilities. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As far as the Bank does not have any offsetting agreements, the adoption of the aforesaid amendments did not affect any disclosures or amounts in the financial statements.

Amendments to IAS 1 *Presentation of financial statements (amended June 2011)*. In the current year the Bank has applied the amendments to IAS 1 Presentation of Items of Other Comprehensive Income for the first time. The amendment increases the required level of disclosure within the statement of comprehensive income.

This amendment introduces requirement to analyze items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income has been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.

IAS 19 *Employee Benefits* (revised June 2011). In the current year, the Bank has applied IAS 19 (as revised in June 2011) Employee Benefits. The amendments to IAS 19 change the accounting for defined benefit schemes and termination benefits. As far the Bank has no additional pension benefit obligations beside participation in the state pension system of the Republic of Belarus, the adoption of such amendments did not affect the financial statements.

IFRS 13 *Fair Value Measurement.* The Bank has applied IFRS 13 Fair Value Measurement (IFRS 13) for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realizable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognized in the financial statements.

Amendments to IAS 1 *Presentation of Financial Statements* (as part of the Annual improvements to IFRSs 2009-2011 Cycle issued in May 2012). The Annual Improvements to IFRSs 2009-2011 Cycle include a number of amendments to various IFRSs. The amendments to **IAS 1 *Presentation of Financial Statements*** that are relevant to the Bank relate to requirements for presentation of the statement of financial position as at the beginning of the preceding period (third statement of financial position) and of the related notes. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

New and revised IFRS in issue but not yet effective

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

Standards and Interpretations	**Effective for annual period beginning on or after**
IFRS 9 *Financial Instruments*	1 January 2015
Amendments to IFRS 9 and IFRS 7 titled IFRS 9: *Effective Date and Disclosure Requirements for the Transition Period*	1 January 2015
Amendments to IFRS 10, IFRS 12 and IAS 27 *Investment Entities*	1 January 2014
Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014
Amendments to IAS 36 *Impairment of Assets*	1 January 2014
Amendments to IAS 39 *Financial Instruments: Recognition and Measurement*	1 January 2014
IFRIC 21 *Levies*	1 January 2014

IFRS 9 *Financial Instruments*, issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. In accordance with the key requirements of IFRS 9:

- Upon initial recognition all recognized financial assets are measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9 Financial Instruments, entities may make an irrevocable choice to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.
- For financial assets that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial asset that is attributable to changes in the credit risk of that asset is recognized in other comprehensive income, unless the recognition of the effects of changes in the asset's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial asset's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial asset at fair value through profit or loss was recognized in profit or loss.

The Bank management anticipates that IFRS 9 *Financial Instruments* may have a significant impact on amounts of the Bank's financial assets and financial liabilities. However, to provide a reasonable estimate of the effect of IFRS 9 *Financial Instruments* detailed review is needed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Institutions The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

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

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

The management of the Bank does not anticipate that the investment entities amendments will have any effect on the Bank's financial statements as the Bank has no investments in subsidiaries.

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

The management of the Bank does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Bank's financial statements as the Bank does not have any financial assets and financial liabilities that qualify for offset.

4. NET INTEREST INCOME

Net interest income comprises:

	Year ended 31 December 2013	Year ended 31 December 2012
Interest income:		
Interest income on financial assets measured at amortized cost:		
Interest income on impaired assets	1,415,453	1,299,301
Interest income on unimpaired assets	72,412	125,181
Interest income on financial assets at fair value	101,307	147,253
Total interest income	**1,589,172**	**1,571,735**
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	1,415,453	1,299,301
Interest on due from banks and other financial institutions	68,041	122,068
Other interest income	4,371	3,113
Total interest income on financial assets measured at amortized cost	1,487,865	1,424,482
Interest income on financial assets at fair value comprises:		
Interest on investments available for sale	54,973	97,556
Interest on securities at fair value through profit or loss	46,334	49,697
Total interest income on financial assets at fair value	101,307	147,253
Interest expense:		
Interest on financial liabilities recorded at amortized cost	794,345	856,001
Total interest expense	**794,345**	**856,001**
Interest expense on financial liabilities recorded at amortized cost comprises:		
Interest on customer accounts	558,856	666,751
Interest on due to banks and other financial institutions, loans from the National Bank and subordinated debts	185,185	157,827
Interest on debt securities issued	50,277	31,351
Other interest expense	27	72
Total interest expense on financial liabilities recorded at amortized cost	794,345	856,001
Net interest income before provision for impairment losses on interest bearing assets	**794,827**	**715,734**

5. PROVISION FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	Loans to customers
31 December 2011	191,323
Provision	82,111
Write-off of assets	(18,202)
Effect of inflation	(37,029)
31 December 2012	218,203
Provision	110,443
Write-off of assets	(14,975)
Effect of inflation	(39,872)
31 December 2013	273,799

The movements in other provisions were as follows:

	Other assets	Guarantees and other contingencies	Total
31 December 2011	1,704	23,104	24,808
Provision/(recovery of provision)	758	(8,019)	(7,261)
Effect of inflation	(370)	(3,299)	(3,669)
31 December 2012	2,092	11,786	13,878
Provision	1,899	1,037	2,936
Effect of inflation	(934)	(2,025)	(2,959)
31 December 2013	3,057	10,798	13,855

Allowances for impairment losses on assets are deducted from the related assets. Provisions for guarantees and other contingencies are recorded in other liabilities.

6. NET (LOSS)/GAIN ON FOREIGN EXCHANGE OPERATIONS

Net (loss)/gain on foreign exchange operations comprises:

	Year ended 31 December 2013	Year ended 31 December 2012
Dealing, net	70,161	66,403
Foreign exchange translation differences, net	(115,583)	59,092
Total net (loss)/gain on foreign exchange operations	**(45,422)**	**125,495**

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

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

	Year ended 31 December 2013	Year ended 31 December 2012
Net gain on derivative financial instruments	197,317	166,424
Net gain on securities at fair value through profit or loss	5,281	78,980
Total net gain on operations with financial instruments at fair value through profit or loss	**202,598**	**245,404**

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Fee and commission income		
Settlement and cash operations with clients	148,382	123,962
Plastic cards transactions	75,401	53,597
Foreign exchange operations	56,416	60,055
Documentary operations	14,824	16,467
Settlements with banks	108	106
Other	1,026	518
Total fee and commission income	**296,157**	**254,705**
Fee and commission expense		
Plastic cards transactions	33,350	22,077
Maintenance of interbank accounts and documentary operations	10,595	9,341
Legal support of banking operations	8,796	5,822
Foreign currency operations	4,087	5,119
Payments accepted for the bank	3,343	2,709
Operations with securities	1,936	2,184
Other	2,433	97
Total fee and commission expense	**64,540**	**47,349**

9. OTHER INCOME

Other income comprises:

	Year ended 31 December 2013	Year ended 31 December 2012
Fines and penalties	11,506	6,181
Gain from sale of property, equipment and non-current assets held for sale	5,180	11,545
Operating lease income	2,617	175
Other	3,028	3,315
Total other income	**22,331**	**21,216**

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2013	Year ended 31 December 2012
Staff costs	216,012	183,728
Social security contributions	55,031	46,684
Depreciation and amortization expense	45,238	36,359
Contributions to individuals' deposits protection fund	37,787	30,752
Expenses for services of automated interbank and international settlement system	30,045	22,692
Rent and property and equipment maintenance	25,808	20,774
Stationery and office expenses	22,309	15,977
Remuneration to the members of the Board of Directors and Revision Committee	21,891	13,023
Insurance expenses	19,342	14,842
Advertising and promotion expenses on retail banking products	15,645	4,310
Charity and sponsorship expenses	14,460	10,197
Advertising expenses	12,623	12,615
Expenses on maintenance of banking software	11,580	8,156
Communication expenses	6,843	6,228
Taxes other than income tax	6,700	5,541
Security expenses	6,612	5,963
Information and consulting services	5,406	4,239
Vehicles maintenance and fuel expenses	4,398	4,108
Other	21,647	26,327
Total operating expense	**579,377**	**472,515**

11. INCOME TAX

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

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

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2013 and 2012 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax book bases' differences for certain assets and liabilities.

The Bank provides for current income tax based on the statutory tax accounts maintained in accordance with the Belarusian statutory regulations. During the years ended 31 December 2013 and 2012 the tax rate for the Bank comprised 18%.

Tax effect of temporary differences as at 31 December 2013 and 2012 comprised:

	31 December 2013	31 December 2012
Other liabilities	1,508	1,715
Precious metals	340	199
Non-current assets held for sale	165	-
Debt securities issued	-	92
Derivative financial instruments	(171)	(11,788)
Investment property	(450)	-
Due from banks and other financial institutions	(862)	(989)
Due to banks and other financial institutions	(1,164)	(862)
Other assets	(1,606)	(2,381)
Investments available for sale	(3,158)	(3,358)
Provision for guarantees and other contingent liabilities	(3,424)	(6,930)
Property, equipment and intangible assets	(4,594)	(1,854)
Loans to customers	(53,762)	(60,396)
Net deferred tax liabilities	**(67,178)**	**(86,552)**

The effective tax rate reconciliation is as follows for the years ended 31 December 2013 and 2012:

	Year ended 31 December 2013	Year ended 31 December 2012
Profit before taxation	188,035	430,454
	18%	18%
Tax at the statutory tax rate	33,846	77,482
Tax effect of non-deductible expenses	12,376	8,467
Tax effect of non-taxable income and other deductions	(24,599)	(34,094)
Tax effect of change in tax base of property and equipment due to revaluation performed for tax purposes	(8,911)	(12,134)
Tax effect of the inflation of equity components on profit	67,244	63,901
Tax effect of other permanent differences	1,745	(533)
Income tax expense	**81,701**	**103,089**
Current income tax expense	101,075	61,859
Deferred tax (benefit)/expense recognized in income statement	(19,374)	41,230
Income tax expense	**81,701**	**103,089**

Deferred tax liability	**Year ended 31 December 2013**	**Year ended 31 December 2012**
As at 1 January – Deferred income tax liabilities	**86,552**	**45,322**
Change in deferred income tax recognized in profit or loss	(19,374)	41,230
As at 31 December – Deferred income tax liabilities	**67,178**	**86,552**

12. CASH AND CASH EQUIVALENTS

	31 December 2013	31 December 2012
Correspondent accounts with the National Bank of the Republic of Belarus	1,024,600	1,070,592
Correspondent and demand accounts with banks	407,755	586,218
Cash	368,919	371,951
Settlements with Belarusian Currency Stock Exchange	213,413	48,311
Deposits with banks and other financial institutions with original maturity within 90 days	192,689	357,184
Total cash and cash equivalents	**2,207,376**	**2,434,256**

13. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Interest to nominal	31 December 2013	31 December 2012
Eurobonds of the Republic of Belarus	8.75%-8.95%	487,741	450,574
Eurobonds issued by Eurasian Development Bank (EDB)	4.77%	130,576	-
Eurobonds issued by Serbia	4.88%	45,978	-
Eurobonds issued by Belarusian banks	9.95%	-	110,614
Total securities at fair value through profit or loss		**664,295**	**561,188**

14. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2013 derivative financial instruments comprised:

	Nominal amount (in units of purchased currency)	Fair value	
		Asset	Liabilities
Foreign currency forward contracts:			
USD/BYR	USD 120,000,000	709,909	(36)
EUR/BYR	EUR 30,000,000	105,422	(137)
USD/RUB	USD 47,000,000	405	-
GBP/USD	GBP 250,000	-	(11)
USD/EUR	USD 86,621,610	24	(287)
Total foreign currency forward contracts		**815,760**	**(471)**

	Nominal amount (in units of placed currency)	Fair value	
		Asset	Liabilities
Foreign currency swap contracts:			
EUR/BYR	EUR 45,965,183	395,984	-
USD/BYR	USD 40,356,069	260,460	-
Total foreign currency swap contracts		**656,444**	**-**

	Contractual value of purchased securities	Fair value	
		Asset	Liabilities
Forward contracts for purchase of securities with open delivery date:			
Eurobonds issued by a Russian bank	USD 6,033,750	8,693	-
Total forward contracts for purchase of securities with open delivery date		**8,693**	**-**

	Contractual value of purchased securities	Fair value	
		Asset	Liabilities
Forward contracts for securities with fixed delivery date:			
Bonds issued by Republican governmental authorities	USD 20,084,421	-	(30)
Total forward contracts for purchase of securities with fixed delivery date		**-**	**(30)**

As at 31 December 2013 derivative financial instruments included foreign currency forward and swap contracts with the National Bank of the Republic of Belarus with the fair value of BYR 1,471,601 million (assets).

As at 31 December 2012 derivative financial instruments comprised:

	Nominal amount (in units of purchased currency)	Fair value	
		Asset	Liabilities
Foreign currency forward contracts:			
USD/BYR	USD 109,200,000	703,900	(646)
EUR/BYR	EUR 12,000,000	104,398	-
BYR/EUR	BYR 247,764,000	1,396	-
EUR/USD	EUR 6,300,000	108	(37)
USD/RUB	USD 12,000,000	90	-
USD/EUR	USD 125,353,680	7	(3,582)
AUD/USD	AUD 2,000,000	6	(1)
NZD/USD	NZD 2,000,000	-	(9)
Total foreign currency forward contracts		**809,905**	**(4,275)**

	Nominal amount (in units of placed currency)	Fair value	
		Asset	Liabilities
Foreign currency swap contracts:			
EUR/BYR	EUR 45,965,183	393,572	-
USD/BYR	USD 40,356,069	263,707	-
Total foreign currency swap contracts		**657,279**	**-**

	Contractual value of purchased securities	Fair value	
		Asset	Liabilities
Forward contracts for purchase of securities with open delivery date:			
Eurobonds issued by a Russian bank	USD 6,033,750	771	-
Eurobonds of Ukraine	USD 8,200,000	85	(24)
Total forward contracts for purchase of securities with open delivery date		**856**	**(24)**

As at 31 December 2012 derivative financial instruments included foreign currency forward and swap contracts with the National Bank of the Republic of Belarus with the fair value of BYR 1,465,577 million (assets).

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

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

	31 December 2013	31 December 2012
Time deposits with original maturity over 90 days	240,571	335,359
Mandatory reserve deposit with the National Bank of the Republic of Belarus	91,902	77,922
Funds received as a collateral	18,944	37,892
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	**351,417**	**451,173**

16. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2013	31 December 2012
Originated loans	9,347,830	7,300,596
Net investments in finance lease	168,629	108,617
	9,516,459	7,409,213
Less allowance for impairment losses	(273,799)	(218,203)
Total loans to customers	**9,242,660**	**7,191,010**

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2013 and 2012 are disclosed in Note 5.

Maximum exposure to credit risk of loans to customers equals to the net value of the loans reported in the balance sheet. The effect of collateral on maximum exposure to credit risk of loans to customers as at 31 December 2013 and 2012 comprised BYR 9,242,660 million and BYR 7,191,010 million, representing the lower of the fair value of collateral and value of loans reported in the balance sheet.

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

	31 December 2013	31 December 2012
Loans collateralized by real estate and rights thereon	2,629,838	2,137,834
Loans collateralized by inventories	1,442,304	725,080
Loans collateralized by equipment and rights thereon	1,031,016	791,198
Loans collateralized by guarantees of individuals	902,112	854,023
Loans collateralized by liens over receivables	899,134	1,102,090
Loans collateralized by guarantees of legal entities	855,888	443,903
Loans collateralized by state guarantees	21,776	34,167
Loans collateralized by cash or guarantee deposits	9,967	49,035
Loans collateralized by securities	1,402	-
Loans collateralized by other or mixed types of collateral	1,723,022	1,271,883
	9,516,459	7,409,213
Less allowance for impairment losses	(273,799)	(218,203)
Total loans to customers	**9,242,660**	**7,191,010**

	31 December 2013	31 December 2012
Analysis by sector:		
Trade	1,754,850	1,367,335
Retail portfolio	1,572,291	1,101,260
Chemistry and petrochemistry	904,563	428,980
Machinery construction	771,837	664,843
Metallurgy industry	695,979	598,640
Transport	535,536	673,078
Investments in real estate	412,862	170,023
Food industry	391,270	434,382
Other production	310,164	153,158
Construction	239,661	197,115
Financial and insurance services	230,213	162,773
Light industry	179,183	121,231
Agriculture	133,324	97,447
Timber industry	117,960	82,383
Oil production	78,176	205,313
Energetics	70,375	101,111
Media business	62,090	29,658
Gas transportation	-	1,158
Other	1,056,125	819,325
	9,516,459	7,409,213
Less allowance for impairment losses	(273,799)	(218,203)
Total loans to customers	**9,242,660**	**7,191,010**

As at 31 December 2013 the Bank provided loans to four customers totalling BYR 1,468,758 million before allowance for impairment losses where exposure of each borrower individually exceeded 10% of the Bank's equity.

As at 31 December 2012 the Bank provided loans to two customers totalling BYR 858,562 million before allowance for impairment losses where exposure of each borrower individually exceeded 10% of the Bank's equity.

The majority of loans were granted to companies operating in the Republic of Belarus, which represents significant geographical concentration in one region.

Loans to individuals comprise the following products:

	31 December 2013	31 December 2012
Delay consumer loans	658,700	571,195
Plastic cards	511,189	252,241
Mortgage loans	235,015	171,085
Car loans	87,985	42,243
Consumer loans	76,205	61,451
Other	3,197	3,045
	1,572,291	1,101,260
Less allowance for impairment losses	(70,614)	(64,927)
Total loans to individuals	**1,501,677**	**1,036,333**

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

Analysis of loans and allowances for impairment losses by class of loans and impairment assessment method as at 31 December 2013 and 2012 is presented in the following tables:

	31 December 2013		
	Loans before allowance for impairment losses	Allowance for impairment losses	Loans less allowance for impairment losses
Loans assessed for impairment individually	4,466,353	(168,208)	4,298,145
Loans assessed for impairment collectively	5,050,106	(105,591)	4,944,515
Total loans to customers	**9,516,459**	**(273,799)**	**9,242,660**

	31 December 2012		
	Loans before allowance for impairment losses	Allowance for impairment losses	Loans less allowance for impairment losses
Loans assessed for impairment individually	3,502,386	(123,673)	3,378,713
Loans assessed for impairment collectively	3,906,827	(94,530)	3,812,297
Total loans to customers	**7,409,213**	**(218,203)**	**7,191,010**

During the years ended 31 December 2013 and 2012 the Bank received assets by taking possession of collateral. As at 31 December 2013 and 2012 such assets in the amount of BYR 16,318 million and BYR 40,537 million, respectively, were included in non-current assets held for sale.

The components of net investment in finance lease as at 31 December 2013 and 2012 are as follows:

	31 December 2013	31 December 2012
Less than one year	76,099	67,955
From one year to five years	108,716	85,307
More than five years	71,533	15,467
Minimum payments on financial lease	256,348	168,729
Less: unearned finance income	(87,719)	(60,112)
Net investments in finance lease	**168,629**	**108,617**
Current portion	50,848	45,044
Long-term portion	117,781	63,573
Net investments in finance lease	**168,629**	**108,617**

17. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	Interest to nominal	31 December 2013	Interest to nominal	31 December 2012
Long-term state bonds in US Dollars	7.25%-7.5%	270,136		-
Bonds issued by Belarusian banks in Belarusian Rubles	23.5%-25.5%	235,820	30%-32%	154,000
Bonds issued by Development Bank of the Republic of Belarus, in US Dollars	5.80%	142,838		-
Other unquoted equity instruments		464		464
Total investments available for sale		**649,258**		**154,464**

18. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets comprise:

	Buildings and premises	Computer equipment, furniture and other equipment	Vehicles	Corporate collection of the works of art	Construction in progress	Intangible assets	Total
Initial cost, restated for hyperinflation effect							
31 December 2011	209,909	144,946	17,457	-	25,915	46,190	444,417
Additions	-	-	-	-	74,270	22,939	97,209
Transfers among categories	4,974	48,651	3,951	19,845	(77,689)	268	-
Disposals	(12,120)	(4,910)	(3,630)	-	-	(2,959)	(23,619)
31 December 2012	202,763	188,687	17,778	19,845	22,496	66,438	518,007
Additions	-	-	-	-	113,598	22,762	136,360
Transfers among categories	2,719	26,113	4,040	29,372	(70,060)	7,816	-
Disposals	(122)	(4,108)	(761)	-	(140)	(3,782)	(8,913)
31 December 2013	205,360	210,692	21,057	49,217	65,894	93,234	645,454
Accumulated depreciation, restated for hyperinflation effect							
31 December 2011	20,340	56,689	9,191	-	-	10,295	96,515
Charge for the period	4,359	19,188	2,453	-	-	10,359	36,359
Elimination on disposal	(1,165)	(4,437)	(3,288)	-	-	(2,951)	(11,841)
31 December 2012	23,534	71,440	8,356	-	-	17,703	121,033
Charge for the period	4,088	23,931	2,688	-	-	14,531	45,238
Elimination on disposal	(62)	(3,740)	(707)	-	-	(3,777)	(8,286)
31 December 2013	27,560	91,631	10,337	-	-	28,457	157,985
Net carrying value							
31 December 2013	**177,800**	**119,061**	**10,720**	**49,217**	**65,894**	**64,777**	**487,469**
31 December 2012	**179,229**	**117,247**	**9,422**	**19,845**	**22,496**	**48,735**	**396,974**

19. NON-CURRENT ASSETS HELD FOR SALE

As at 31 December 2013 and 2012 non-current assets held for sale included property (mainly real estate) that had been transferred to the Bank as loan repayment or received through repossession of leased property of BYR 16,318 million and BYR 40,537 million, respectively. Within the 12 months ended 31 December 2013 the Bank decided to reclassify part of non-current assets held for sale as far as it abandoned the intention to sell them. Assets totalling BYR 663 million were reclassified into property and equipment in connection with the intention to use them for the Bank's needs; assets totalling BYR 4,055 million were reclassified into investment property due to the intention to lease them out under operational lease.

As at 31 December 2013 the Management of the Bank intends to sell the property classified as non-current assets held for sale. The Bank plans to complete sale transactions within next 12 months.

20. INVESTMENT PROPERTY

As at 31 December 2013 investment property included two buildings with a total carrying amount of BYR 4,055 million which were reclassified from non-current assets held for sale and are currently leased out by the Bank under operational lease (Note 19).

As at 31 December 2013 operating lease income comprised income from operatining lease of investment property of BYR 673 million.

21. OTHER ASSETS

Other assets comprise:

	31 December 2013	31 December 2012
Other financial assets:		
Commission income and fines accrued	13,797	10,230
Settlements on plastic cards	7,311	5,900
Receivables for sale of non-current assets held for sale	311	423
Other debtors	7,087	7,323
Less: allowances for impairment losses	(3,057)	(2,092)
Total other financial assets	**25,449**	**21,784**
Other non-financial assets:		
Prepayments for property, equipment and other assets	60,842	56,784
Prepaid expenses and other non-financial assets	36,205	22,881
Taxes recoverable and prepaid other than income tax	18,916	3,905
Materials in stock	2,942	1,711
Total other assets	**144,354**	**107,065**

Movements in allowance for impairment losses on other assets for the years ended 31 December 2013 and 2012 are disclosed in Note 5.

22. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise:

	31 December 2013	31 December 2012
Loans from banks and non-banking financial institutions	2,417,584	1,600,269
Loans from European Bank for Reconstruction and Development (EBRD)	794,545	441,459
Loans from European Fund for Southeast Europe (EFSE)	476,624	273,766
Loans from Eurasian Development Bank (EDB)	373,554	134,915
Correspondent and demand accounts of other banks	344,524	380,891
Total due to banks and other financial institutions	**4,406,831**	**2,831,300**

As at 31 December 2013 due to banks and other financial institutions included loans from five banks and other financial institutions totaling BYR 3,148,308 million, which represented significant concentration (71% of the total).

As at 31 December 2012 due to banks and other financial institutions included loans from three banks and other financial institutions totaling BYR 1,488,775 million, which represented significant concentration (53% of the total).

The Bank is obligated to comply with financial covenants in relation to certain loans from banks and other financial institutions disclosed above. The Bank did not breach any of these covenants as at 31 December 2013 and 2012.

23. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2013	31 December 2012
Term deposits	5,271,831	4,770,064
Current/settlement accounts and demand deposits	2,065,696	1,884,908
Total customer accounts	**7,337,527**	**6,654,972**

As at 31 December 2013 and 2012 customer accounts of BYR 2,687,562 million (37% of the total) and BYR 1,975,200 million (30% of the total) comprised the balances of accounts of five customers, respectively, which represented significant concentration.

As at 31 December 2013 and 2012 customer accounts of BYR 60,307 million and BYR 111,940 million, respectively, were held as security against letters of credit, guarantees and loans issued by the Bank.

	31 December 2013	31 December 2012
Analysis by sector:		
Individuals	3,430,849	2,855,710
Gas transportation	1,104,938	827,033
Trade	724,179	786,816
Machinery construction	615,014	661,827
Financial and insurance services	394,843	407,640
Construction	180,193	289,743
Oil production	111,618	12,726
Transport	98,771	66,929
Food industry	98,162	44,238
Investments in real estate	91,722	105,333
Other production	75,034	49,982
Chemistry and petrochemistry	52,135	46,697
Timber industry	21,221	25,362
Agriculture	18,632	22,960
Light industry	9,551	10,698
Media business	8,774	12,566
Metallurgy industry	7,891	84,061
Communications	2,596	5,849
Energetics	611	21,034
Other	290,793	317,768
Total customer accounts	**7,337,527**	**6,654,972**

As at 31 December 2013 and 2012 time deposits included loans from non-residents of the Republic of Belarus amounting to BYR 323,972 million and BYR 299,786 million, respectively.

24. DEBT SECURITIES ISSUED

	31 December 2013	31 December 2012
Bonds issued by the bank and held by legal entities	442,796	354,054
Bonds issued by the bank and held by individuals	177,287	61,229
Total debt securities issued	**620,083**	**415,283**

25. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2013	31 December 2012
Other financial liabilities:		
Compensation payable to employees	22,828	20,050
Provision for guarantees and other contingent liabilities	10,798	11,786
Settlements for property and equipment and other assets acquired	6,156	4,354
Settlements on other banking operations and accrued expenses	12,820	18,710
Total other financial liabilities	**52,602**	**54,900**
Other non-financial liabilities:		
Contributions payable to deposits security fund	10,249	8,535
Taxes payable other than income tax	3,489	2,955
Other non-financial liabilities	3,607	1,035
Total other liabilities	**69,947**	**67,425**

Movements in provision for guarantees and other contingent liabilities for the years ended 31 December 2013 and 2012 are disclosed in Note 5.

26. SHARE CAPITAL

As at 31 December 2013 and 2012 authorized, issued and fully paid capital of the Bank consisted of 1,252,008,799,649 ordinary shares and 260,044,863 preference shares all with par value of BYR 1 each (at historical cost).

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

During the years ended 31 December 2013 and 2012 the Bank declared and paid BYR 119,407 million and BYR 71,038 million dividends on ordinary and preference shares which comprised BYR 0.1 per share for the years 2012 and 2011, respectively.

The Bank's retained earnings distributable to shareholders are limited to the amount of funds that are stated in the financial statements prepared according to the Belarusian accounting rules. As per these financial statements as at 31 December 2013 and 2012 the retained earnings comprised BYR 709,335 million and BYR 498,842 million, respectively (unaudited). Non-distributable funds comprise property and equipment revaluation fund and reserve fund created in compliance with Belarusian legislation to cover general banking risks including future losses, other unforeseen risks and contingent liabilities. In accordance with the legislation the reserve fund is created for the mentioned objectives in the amount of no less than 5% of the Bank's share capital stated in the financial statements under Belarusian accounting rules.

27. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank uses financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, being succeptible to various degrees of credit risk, are not recognised in the balance sheet.

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

As at 31 December 2013 and 2012 the nominal or contract amounts of contingent liabilities and credit commitments were:

	31 December 2013	31 December 2012
Contingent liabilities and credit commitments		
Guarantees issued and similar contingencies	783,899	736,073
Letters of credit, covered by cash	27,305	30,658
Letters of credit, not covered by cash	39,354	42,249
Commitments to provide cash to banks	114,120	-
Commitments on loans and unused credit lines, cancellable	1,658,555	1,576,670
Total contingent liabilities and credit commitments	**2,623,233**	**2,385,650**

Legal proceedings – From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material losses will be incurred and accordingly no provision has been made in these financial statements.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. As at 31 December 2013 and 2012 the Bank had no material liabilities for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating lease commitments – As at 31 December 2012 future minimal lease payments under non-cancellable operating lease agreements for less than 1 year term amounted to BYR 5,017 million. As at 31 December 2013 the Bank did not have any of the above mentioned commitments.

Other contingent liabilities – As at 31 December 2013 and 2012 the Bank had contingent liabilities relating to guarantees issued as to settlements in MasterCard system in the amount of BYR 19,739 million and BYR 20,741 million, respectively.

Operating environment – Emerging markets including Republic of Belarus are subject to economical, political, social, legal and legislative risks, which are different from the risks of more developed markets. As previously, estimated or actual financial difficulties in countries with developing economies or increase in the investment risks levels in these countries can adversely affect the economy and the investment climate in the Republic of Belarus.

Laws and regulations affecting businesses in Belarus continue to change rapidly. Tax, currency and customs legislation is subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Republic of Belarus. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory and political developments.

The global financial system continues to face serious problems. In many countries the rates of economic growth have reduced. Moreover, the uncertainty increased regarding the creditworthiness of several Eurozone countries and financial institutions which carry significant risks for the sovereign debt of these countries. These problems may result in slower global growth rate and the growth rate of the Belarusian economy, adversely affect the availability and cost of capital for the Bank, as well as the business of the Bank in general, results of its operations, financial position and prospects of development.

28. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following balances on transactions with related parties:

	31 December 2013		31 December 2012	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Cash and cash equivalents	**158,282**	**2,207,376**	**473,864**	**2,434,256**
- Shareholders	15,585		3,624	
- Entities under common control	142,697		470,240	
Securities at fair value through profit or loss	**130,576**	**664,295**	**-**	**561,188**
- Entities under common control	130,576		-	
Loans to customers before allowance for impairment losses	**7,524**	**9,516,459**	**5,484**	**7,409,213**
- Entities under common control	-		196	
- Key management personnel	7,524		5,288	
Allowance for impairment losses	**(113)**	**(273,799)**	**(119)**	**(218,203)**
- Entities under common control	-		(2)	
- Key management personnel	(113)		(117)	
Other assets	**6**	**144,354**	**27**	**107,065**
- Entities under common control	6		27	
Due to banks and other financial institutions	**2,229,997**	**4,406,831**	**962,725**	**2,831,300**
- Shareholders	1,229,245		761,867	
- Entities under common control	1,000,752		200,858	
Customer accounts	**2,269,219**	**7,337,527**	**1,793,848**	**6,654,972**
- Shareholders	289		707	
- Entities under common control	2,225,236		1,758,578	
- Key management personnel	43,694		34,563	
Other liabilities	**3,518**	**69,947**	**2,403**	**67,425**
- Shareholders	1,677		-	
- Key management personnel	1,841		2,403	
Contingent liabilities and commitments	**130,716**	**2,623,233**	**5,981**	**2,385,650**
- Entities under common control	128,728		3,881	
- Key management personnel	1,988		2,100	

The following amounts which arose due to transactions with related parties are included in the income statement for the years ended 31 December 2013 and 2012:

	Year ended 31 December 2013		Year ended 31 December 2012	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	**16,312**	**1,589,172**	**11,380**	**1,571,735**
- Shareholders	51		62	
- Entities under common control	14,629		10,558	
- Key management personnel	1,632		760	
Interest expense	**(234,693)**	**(794,345)**	**(207,064)**	**(856,001)**
- Shareholders	(44,407)		(38,276)	
- Entities under common control	(186,027)		(165,972)	
- Key management personnel	(4,259)		(2,816)	
(Provision)/recovery of provision for impairment losses on interest bearing assets	**(12)**	**(110,443)**	**76**	**(82,111)**
- Entities under common control	2		19	
- Key management personnel	(14)		57	
Fee and commission income	**22,435**	**296,157**	**17,827**	**254,705**
- Shareholders	104		72	
- Entities under common control	22,331		17,755	
Fee and commission expense	**(1,159)**	**(64,540)**	**(1,099)**	**(47,349)**
- Shareholders	(404)		(606)	
- Entities under common control	(755)		(493)	
Other income	**673**	**22,331**	**-**	**21,216**
- Entities under common control	673		-	
Operating expenses	**(56,144)**	**(579,377)**	**(35,357)**	**(472,515)**
- key management personnel (remuneration)	(56,144)		(35,357)	

During the years ended 31 December 2013 and 2012 remuneration of key management personnel consisted of short-term employee benefits.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Financial assets / financial liabilities	Fair value as of 31 December 2013	Fair value as of 31 December 2012	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial instruments (assets) (Note 14)	1,472,204	1,467,184	Level 2	Discounted cash flows. Future cash flows are estimated based on interest rate parity model. Interest rates applied are the sovereign risk rates on financial instruments denominated in respective currency with respective maturity.	Not applicable	Not applicable
Derivative financial instruments with securities (assets) (Note 14)	8,693	856	Level 1	Net result between fair value of claims on cash/securities receipt and obligations on securities/cash delivery. Fair value of the claim/obligation on securities is active market quoted bid price. Fair value of the claim/obligation on cash receipt/delivery is the amount of the cash flow calculated based on the terms and conditions of the contract.	Not applicable	Not applicable
Securities at fair value through profit or loss (Note 13)	664, 295	561,188	Level 1	Active market quoted bid prices.	Not applicable	Not applicable
Investments available for sale, less equity investments (Note 17)	648, 794	154,000	Level 2	Discounted cash flows. Interest rates applied are the rates on financial instruments with similar risk level denominated in respective currency with respective maturity.	Not applicable	Not applicable
Derivative financial instruments (liabilities) (Note 14)	471	4,275	Level 2	Discounted cash flows. Future cash flows are estimated based on interest rate parity model. Interest rates applied are the sovereign risk rates on financial instruments denominated in respective currency with respective maturity.	Not applicable	Not applicable
Derivative financial instruments with securities (liabilities) (Note 14)	30	24	Level 1	Net result between fair value of claims on cash/securities receipt and obligations on securities/cash delivery. Fair value of the claim/obligation on securities is active market quoted bid price. Fair value of the claim/obligation on cash receipt/delivery is the amount of the cash flow calculated based on the terms and conditions of the contract.	Not applicable	Not applicable

There were no transfers between Level 1 and 2 in the period.

Financial instruments for which fair value approximates carrying value

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

	31 December 2013		31 December 2012	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and cash equivalents	2,207,376	2,207,376	2,434,256	2,434, 256
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	351,417	351,417	451,173	451,173
Loans to customers	9,242,660	9,242,660	7,191,010	7,191,010
Other financial assets	25,449	25,449	21,784	21,784
Due to banks and other financial institutions	4,406,831	4,406,831	2,831,300	2,831,300
Customer accounts	7,337,527	7,337,527	6,654,972	6,654,972
Debt securities issued	620,083	620,083	415,283	415,283
Other financial liabilities	52,602	52,602	54,900	54,900

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

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

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

Loans to customers

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

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

Due to banks and other financial institutions

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

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

Customer accounts

Customer deposits have both variable and fixed rates.

- The management believes that fair value of deposits with variable interest rates does not materially differ from their carrying value.

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

Debt securities issued

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

30. CAPITAL MANAGEMENT

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

	31 December 2013	31 December 2012
Composition of regulatory capital:		
Tier 1 capital:		
Share capital	2,694,339	2,694,339
Retained earnings	25,633	38,706
Total Tier 1 capital	**2,719,972**	**2,733,045**
Investments available for sale revaluation reserve	(10,415)	9,986
Total regulatory capital	**2,709,557**	**2,743,031**
Capital Ratios:		
Tier 1 capital	16%	19%
Total equity	16%	19%

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total (8%) and Tier 1 capital (4%) to risk weighted assets.

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

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

31. RISK MANAGEMENT POLICIES

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

Risk management structure

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

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

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

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

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

Systems of risk evaluation and communication

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

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

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

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

Departments must adhere to the principles of risk management accepted by the Bank. Operating control over compliance is performed by employees of operating departments on an on-going basis. The Internal Control and Audit Department controls compliance with the limits in the course of audits, the Reporting Department and Risk Management Department perform control procedures during preparation of reports on prudential financial statements. External control is carried out by the Revision Commission of the Bank.

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

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

Excessive risk concentration

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

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

Credit risk

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

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

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

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

Commitments to extend credit represent unused portions of credit in the form of credit lines, guarantees and unsecured letters of credit. Credit risk on financial instruments accounted for off-balance sheet is determined as a possibility of losses as a result of the client's inability to fulfil the terms of the agreement. In relation to credit risk associated with off-balance sheet financial instruments the Bank potentially carries loss which equals to total amount of unused credit lines.However the probable amount of loss is less than total amount of unused credit lines since in the majority of cases commitments on loans arise if the clients meet certain creditworthiness indicators. The Bank applies the same credit policy to contingent liabilities as it does to loans, which is based on the procedures of approval of loans granted, setting of risk limits and constant monitoring.

In the reporting period in the course of enhancement of the credit risk management the Bank implemented credit risk escalation procedure, updated the scoring models to be used for the purpose of yearly identification and control over credit risks.

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

Maximum credit risk exosure

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

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

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

	31 December 2013 Maximum credit risk exosure	31 December 2012 Maximum credit risk exosure
Cash and cash equivalents (less cash)	1,838,457	2,062,305
Securities at fair value through profit or loss	664,295	561,188
Derivative financial instruments	1,480,897	1,468,040
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	351,417	451,173
Loans to customers	9,242,660	7,191,010
Investments available for sale (less unquoted equity investments)	648,794	154,000
Other financial assets	25,449	21,784
Financial guarantees issued and similar contingencies	644,666	620,813
Commitments to provide cash to banks	114,120	-
Letters of credit not covered by cash	39,100	41,926
Total	**15,049,855**	**12,572,239**

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

The sovereign credit rating in foreign currency of the Republic of Belarus according to the international rating agency Standard & Poor's in 2013 and 2012 corresponded to level B-.

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

	A	BBB	BB	Below BB	Not rated	31 December 2013 Total
Cash and cash equivalents (less cash)	68,038	96,175	21,829	1,618,421	33,994	1,838,457
Securities at fair value through profit or loss	-	130,576	-	533,719	-	664,295
Derivative financial instruments, assets	-	-	8,693	1,472,204	-	1,480,897
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	2,872	-	16,443	237,002	95,100	351,417
Loans to customers	-	-	-	-	9,242,660	9,242,660
Investments available for sale (less unquoted equity investments)	-	-	-	648,794	-	648,794
Other financial assets	-	-	-	-	25,449	25,449
Total financial assets	**70,910**	**226,751**	**46,695**	**4,510,140**	**9,397,203**	**14,251,969**

	A	BBB	BB	Below BB	Not rated	31 December 2012 Total
Cash and cash equivalents (less cash)	187,709	37,589	93,821	1,525,806	217,380	2,062,305
Securities at fair value through profit or loss	-	-	-	561,188	-	561,188
Derivative financial instruments, assets	-	133	934	1,465,577	1,396	1,468,040
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	3,018	-	34,951	413,204	-	451,173
Loans to customers	-	-	-	-	7,191,010	7,191,010
Investments available for sale (less unquoted equity investments)	-	-	-	154,000	-	154,000
Other financial assets	-	-	-	-	21,784	21,784
Total financial assets	**190,727**	**37,722**	**129,706**	**4,119,775**	**7,431,570**	**11,909,500**

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

The carrying value of impaired loans to customers is disclosed in Note 16. As at 31 December 2013 and 2012 other financial assets comprised impaired assets in the amount of BYR 4,944 million and BYR 3,210 million, respectively. As at 31 December 2013 and 2012 the Bank had no past due but not impaired financial assets.

Collateral

A major portion of loans is either collateralized or secured with guarantees from institutions or individuals. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are regularly updated regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are presented in Note 16.

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

Geographical concentration

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

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

	Belarus	CIS countries	OECD countries	Other countries	31 December 2013 Total
FINANCIAL ASSETS					
Cash and cash equivalents	1,914,422	41,493	248,777	2,684	2,207,376
Securities at fair value through profit or loss	487,741	130,576	-	45,978	664,295
Derivative financial instruments	1,471,774	9,123	-	-	1,480,897
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	332,102	16,443	2,872	-	351,417
Loans to customers	9,242,565	43	-	52	9,242,660
Investments available for sale	649,020	-	238	-	649,258
Other assets	23,216	76	1,199	958	25,449
TOTAL FINANCIAL ASSETS	**14,120,840**	**197,754**	**253,086**	**49,672**	**14,621,352**
FINANCIAL LIABILITIES					
Derivative financial instruments	203	298	-	-	501
Due to banks and other financial institutions	7,583	1,851,983	2,159,324	387,941	4,406,831
Customer accounts	6,831,576	67,868	380,697	57,386	7,337,527
Debt securities issued	620,083	-	-	-	620,083
Other liabilities	49,535	1,794	877	396	52,602
TOTAL FINANCIAL LIABILITIES	**7,508,980**	**1,921,943**	**2,540,898**	**445,723**	**12,417,544**
OPEN POSITION	**6,611,860**	**(1,724,189)**	**(2,287,812)**	**(396,051)**	

	Belarus	CIS countries	OECD countries	Other countries	31 December 2012 Total
FINANCIAL ASSETS					
Cash and cash equivalents	1,940,784	128,769	363,486	1,217	2,434,256
Securities at fair value through profit or loss	561,188	-	-	-	561,188
Derivative financial instruments	1,466,973	1,067	-	-	1,468,040
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	314,522	133,633	3,018	-	451,173
Loans to customers	7,190,909	13	27	61	7,191,010
Investments available for sale	154,226	-	238	-	154,464
Other assets	21,143	3	547	91	21,784
TOTAL FINANCIAL ASSETS	**11,649,745**	**263,485**	**367,316**	**1,369**	**12,281,915**
FINANCIAL LIABILITIES					
Derivative financial instruments	-	4,299	-	-	4,299
Due to banks and other financial institutions	109,754	924,037	1,375,708	421,801	2,831,300
Customer accounts	6,055,183	81,480	365,550	152,759	6,654,972
Debt securities issued	415,283	-	-	-	415,283
Other liabilities	50,018	429	4,025	428	54,900
TOTAL FINANCIAL LIABILITIES	**6,630,238**	**1,010,245**	**1,745,283**	**574,988**	**9,960,754**
OPEN POSITION	**5,019,507**	**(746,760)**	**(1,377,967)**	**(573,619)**	

Liquidity Risk

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

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

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

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

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

	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**31 December 2013 Total**
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	1,154,400	343,926	1,454,868	1,857,846	28,069	4,839,109
Customer accounts	2,131,993	1,159,478	968,474	1,865,593	1,764,002	7,889,540
Debt securities issued	23,324	2,720	435,293	214,553	-	675,890
Total interest bearing financial liabilities	**3,309,717**	**1,506,124**	**2,858,635**	**3,937,992**	**1,792,071**	**13,404,539**
Due to banks and other financial institutions	25,356	-	-	-	-	25,356
Customer accounts	910,446	-	-	-	-	910,446
Other financial liabilities	52,204	128	186	84	-	52,602
Guarantees issued and similar contingencies	644,666	-	-	-	-	644,666
Commitments to provide cash to banks	-	114,120	-	-	-	114,120
Letters of credit, not covered by cash	26,189	5	82	12,824	-	39,100
TOTAL FINANCIAL LIABILITIES	**4,968,578**	**1,620,377**	**2,858,903**	**3,950,900**	**1,792,071**	**15,190,829**

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2012 Total
FINANCIAL LIABILITIES						
Due to banks and other financial institutions	946,659	224,994	901,607	960,897	65,755	3,099,912
Customer accounts	1,946,799	211,834	1,490,135	1,775,504	1,781,247	7,205,519
Debt securities issued	899	195	390,821	56,273	-	448,188
Total interest bearing financial liabilities	**2,894,357**	**437,023**	**2,782,563**	**2,792,674**	**1,847,002**	**10,753,619**
Due to banks and other financial institutions	20,581	-	-	-	-	20,581
Customer accounts	978,620	-	-	-	-	978,620
Other financial liabilities	51,522	1,758	1,527	93	-	54,900
Guarantees issued and similar contingencies	620,813	-	-	-	-	620,813
Letters of credit, not covered by cash	29,565	42	210	12,109	-	41,926
TOTAL FINANCIAL LIABILITIES	**4,595,458**	**438,823**	**2,784,300**	**2,804,876**	**1,847,002**	**12,470,459**

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined	31 December 2013 Total
FINANCIAL ASSETS								
Cash and cash equivalents	324,316	-	-	-	-	-	-	324,316
Securities at fair value through profit or loss	664,295	-	-	-	-	-	-	664,295
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	95,100	95,100	50,000	-	-	-	19,315	259,515
Loans to customers	440,155	1,536,952	3,248,054	3,372,934	484,927	159,638	-	9,242,660
Investments available for sale	4,834	146,647	-	381,272	116,041	-	-	648,794
Total interest bearing financial assets	**1,528,700**	**1,778,699**	**3,298,054**	**3,754,206**	**600,968**	**159,638**	**19,315**	**11,139,580**
Cash and cash equivalents	1,883,060	-	-	-	-	-	-	1,883,060
Securities at fair value through profit or loss	-	-	-	-	-	-	-	-
Derivative financial instruments, assets	430	-	305,772	1,166,002	-	-	8,693	1,480,897
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	-	-	-	-	91,902	91,902
Investments available for sale	-	-	-	-	-	-	464	464
Other financial assets	10,557	193	-	-	-	-	14,699	25,449
TOTAL FINANCIAL ASSETS	**3,422,747**	**1,778,892**	**3,603,826**	**4,920,208**	**600,968**	**159,638**	**135,073**	**14,621,352**
FINANCIAL LIABILITIES								
Due to banks and other financial institutions	1,112,290	337,210	1,364,378	1,545,965	21,632	-	-	4,381,475
Customer accounts	1,293,033	1,095,994	752,422	1,081,787	1,409,948	-	793,897	6,427,081
Debt securities issued	23,273	1,056	391,194	204,560	-	-	-	620,083
Total interest bearing financial liabilities	**2,428,596**	**1,434,260**	**2,507,994**	**2,832,312**	**1,431,580**	**-**	**793,897**	**11,428,639**
Due to banks and other financial institutions	25,356	-	-	-	-	-	-	25,356
Customer accounts	268,735	-	-	-	-	-	641,711	910,446
Derivative financial instruments, liabilities	471	30	-	-	-	-	-	501
Other financial liabilities	52,204	128	186	84	-	-	-	52,602
TOTAL FINANCIAL LIABILITIES	**2,775,362**	**1,434,418**	**2,508,180**	**2,832,396**	**1,431,580**	**-**	**1,435,608**	**12,417,544**
Liquidity gap	647,385	344,474	1,095,646	2,087,812	(830,612)			
Interest sensitivity gap	(899,896)	344,439	790,060	921,894	(830,612)			
Cumulative interest sensitivity gap	(899,896)	(555,457)	234,603	1,156,497	325,885			
Cumulative interest sensitivity gap as a percentage of total financial assets	(6.2%)	(3.8%)	1.6%	7.9%	2.2%			

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined	31 December 2012 Total
FINANCIAL ASSETS								
Cash and cash equivalents	800,140	-	-	-	-	-	-	800,140
Securities at fair value through profit or loss	561,188	-	-	-	-	-	-	561,188
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	120,836	214,446	-	-	-	37,969	373,251
Loans to customers	330,170	1,238,778	2,214,609	2,932,446	332,030	142,977	-	7,191,010
Investments available for sale	531	2,963	-	150,506	-	-	-	154,000
Total interest bearing financial assets	**1,692,029**	**1,362,577**	**2,429,055**	**3,082,952**	**332,030**	**142,977**	**37,969**	**9,079,589**
Cash and cash equivalents	1,634,116	-	-	-	-	-	-	1,634,116
Derivative financial instruments, assets	1,607	-	-	1,465,577	-	-	856	1,468,040
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	-	-	-	-	77,922	77,922
Investments available for sale	-	-	-	-	-	-	464	464
Other financial assets	9,523	351	28	3,386	-	-	8,496	21,784
TOTAL FINANCIAL ASSETS	**3,337,275**	**1,362,928**	**2,429,083**	**4,551,915**	**332,030**	**142,977**	**125,707**	**12,281,915**
FINANCIAL LIABILITIES								
Due to banks and other financial institutions	924,494	214,018	825,347	787,060	59,800	-	-	2,810,719
Customer accounts	1,464,086	146,099	1,250,162	968,954	1,406,317	-	440,734	5,676,352
Debt securities issued	899	68	364,402	49,914	-	-	-	415,283
Total interest bearing financial liabilities	**2,389,479**	**360,185**	**2,439,911**	**1,805,928**	**1,466,117**	**-**	**440,734**	**8,902,354**
Due to banks and other financial institutions	20,581	-	-	-	-	-	-	20,581
Customer accounts	435,460	-	-	-	-	-	543,160	978,620
Derivative financial instruments, liabilities	4,299	-	-	-	-	-	-	4,299
Other financial liabilities	51,521	1,758	1,528	93	-	-	-	54,900
TOTAL FINANCIAL LIABILITIES	**2,901,340**	**361,943**	**2,441,439**	**1,806,021**	**1,466,117**	**-**	**983,894**	**9,960,754**
Liquidity gap	435,935	1,000,985	(12,356)	2,745,894	(1,134,087)			
Interest sensitivity gap	(697,450)	1,002,392	(10,856)	1,277,024	(1,134,087)			
Cumulative interest sensitivity gap	(697,450)	304,942	294,086	1,571,110	437,023			
Cumulative interest sensitivity gap as a percentage of total financial assets	(5.7%)	2.5%	2.4%	12.8%	3.6%			

Estimated maturity of the following categories of assets and liabilities differs from their contractual maturity.

Securities at fair value through profit or loss – the management estimates time of realization for assets carried at fair value in the balance sheet as at 31 December 2013 and 2012 as up to 1 month due to existence of an active market where securities can be sold in short terms.

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

The following table presents the contractual periods of repayment of the mentioned financial statement lines as at 31 December 2013 and 2012:

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined	31 December 2013 Total
Securities at fair value through profit or loss, interest bearing		-	-	487,741	176,554	-	-	664,295
Customer accounts, interest bearing	2,086,930	1,095,994	752,422	1,081,787	1,409,948	-	-	6,427,081
Customer accounts, non-interest bearing	910,446	-	-	-	-	-	-	910,446

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined	31 December 2012 Total
Securities at fair value through profit or loss, interest bearing	-	-	110,615	155,175	295,398	-	-	561,188
Customer accounts, interest bearing	1,904,820	146,099	1,250,162	968,954	1,406,317	-	-	5,676,352
Customer accounts, non-interest bearing	978,620	-	-	-	-	-	-	978,620

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

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

Market risk

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

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

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

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

Interest rate risk

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

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

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

	31 December 2013		**31 December 2012**	
	Interest rate 3%	**Interest rate -3%**	**Interest rate 3%**	**Interest rate -3%**
Impact on profit before taxation				
Assets				
Cash and cash equivalents	9,318	(9,318)	23,000	(23,000)
Securities at fair value through profit or loss	(64,180)	64,180	(45,759)	45,759
Derivative financial instruments, assets	(73,167)	77,556	(115,736)	127,190
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	6,558	(6,558)	7,101	(7,101)
Loans to customers	229,818	(229,818)	149,634	(149,634)
Investments available for sale	10,190	(10,190)	4,329	(4,329)
Liabilities				
Due to banks and other financial institutions	(81,210)	81,210	(58,202)	58,202
Customer accounts	(100,525)	100,525	(75,079)	75,079
Debt securities issued	(963)	963	(76)	76
Impact on profit before taxation	**(64,161)**	**68,550**	**(110,788)**	**122,242**
Impact on other comprehensive income				
Investments available for sale	(16,613)	18,174	-	-
Impact on comprehensive income after taxation	**(69,225)**	**74,385**	**(90,846)**	**100,238**

Foreign Exchange Risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

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

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

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

	BYR	USD 1USD= BYR 9,510.00	EUR 1EUR= BYR 13,080.00	RUB 1RUB= BYR 290.50	Other currencies	31 December 2013 Total
FINANCIAL ASSETS						
Cash and cash equivalents	1,427,724	280,715	367,249	127,359	4,329	2,207,376
Securities at fair value through profit or loss	-	664,295	-	-	-	664,295
Derivative financial instruments, assets	1,472,204	8,693	-	-	-	1,480,897
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	141,902	209,515	-	-	-	351,417
Loans to customers	2,213,873	4,192,774	2,139,752	696,261	-	9,242,660
Investments available for sale	236,284	412,974	-	-	-	649,258
Other financial assets	21,382	3,006	543	518	-	25,449
TOTAL FINANCIAL ASSETS	**5,513,369**	**5,771,972**	**2,507,544**	**824,138**	**4,329**	**14,621,352**
FINANCIAL LIABILITIES						
Derivative financial instruments, liabilities	471	30	-	-	-	501
Due to banks and other financial institutions	104,888	3,106,569	1,192,410	2,950	14	4,406,831
Customer accounts	1,980,308	3,636,241	1,347,468	368,248	5,262	7,337,527
Debt securities issued	-	589,113	30,970	-	-	620,083
Other financial liabilities	35,603	3,417	8,419	5,163	-	52,602
TOTAL FINANCIAL LIABILITIES	**2,121,270**	**7,335,370**	**2,579,267**	**376,361**	**5,276**	**12,417,544**
CURRENCY POSITION	**3,392,099**	**(1,563,398)**	**(71,723)**	**447,777**	**(947)**	

Derivative financial instruments with foreign currency

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

	BYR	USD 1USD= BYR 9,510.00	EUR 1EUR= BYR 13,080.00	RUB 1RUB= BYR 290.50	Other currencies	31 December 2013 Total
Claims on derivative financial instruments	-	2,795,728	993,625	-	3,922	3,793,275
Obligations on derivative financial instruments	(1,079,581)	(3,933)	(824,039)	(447,243)	-	(2,354,796)
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**(1,079,581)**	**2,791,795**	**169,586**	**(447,243)**	**3,922**	
TOTAL CURRENCY POSITION	**2,312,518**	**1,228,397**	**97,863**	**534**	**2,975**	

	BYR	USD 1USD= BYR 8,570.00	EUR 1EUR= BYR 11,340.00	RUB 1RUB= BYR 282.00	Other currencies	31 December 2012 Total
FINANCIAL ASSETS						
Cash and cash equivalents	1,430,192	215,434	619,648	167,288	1,694	2,434,256
Securities at fair value through profit or loss	-	561,188	-	-	-	561,188
Derivative financial instruments, assets	1,467,184	856	-	-	-	1,468,040
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	194,524	256,649	-	-	-	451,173
Loans to customers	1,849,463	3,244,546	1,701,507	395,494	-	7,191,010
Investments available for sale	154,464	-	-	-	-	154,464
Other financial assets	17,264	3,814	465	241	-	21,784
TOTAL FINANCIAL ASSETS	**5,113,091**	**4,282,487**	**2,321,620**	**563,023**	**1,694**	**12,281,915**
FINANCIAL LIABILITIES						
Derivative financial instruments, liabilities	4,275	24	-	-	-	4,299
Due to banks and other financial institutions	141,737	2,263,154	423,524	2,870	15	2,831,300
Customer accounts	1,744,904	3,145,932	1,266,063	496,582	1,491	6,654,972
Debt securities issued	-	415,283	-	-	-	415,283
Other financial liabilities	35,937	5,623	11,934	1,406	-	54,900
TOTAL FINANCIAL LIABILITIES	**1,926,853**	**5,830,016**	**1,701,521**	**500,858**	**1,506**	**9,960,754**
CURRENCY POSITION	**3,186,238**	**(1,547,529)**	**620,099**	**62,165**	**188**	

Derivative financial instruments with foreign currency

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

	BYR	USD 1USD= BYR 8,570.00	EUR 1EUR= BYR 11,340.00	RUB 1RUB= BYR 282.00	Other currencies	31 December 2012 Total
Claims on derivative financial instruments	-	2,867,054	849,764	81,469	37,943	3,836,230
Obligations on derivative financial instruments	(861,834)	(201,114)	(1,256,164)	(120,018)	-	(2,439,130)
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**(861,834)**	**2,665,940**	**(406,400)**	**(38,549)**	**37,943**	
TOTAL CURRENCY POSITION	**2,324,404**	**1,118,411**	**213,699**	**23,616**	**38,131**	

Currency risk sensitivity

The following tables detail the Bank’s sensitivity to an increase by 20% and decrease by 10% of USD, EUR and RUB against national currency as at 31 December 2013 and 2012. The mentioned currency exchange rates changes represent management’s assessment of the possible change in foreign currency exchange rates, which is used when reporting foreign currency risk internally to key management personnel of the Bank. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for an anticipated value change in foreign currency rates.

	31 December 2013		31 December 2012	
	BYR/USD	BYR/USD	BYR/USD	BYR/USD
	20%	-10%	20%	-10%
Impact on profit before taxation	221,433	(110,716)	174,410	(87,205)
Impact on comprehensive income after taxation	181,575	(90,787)	143,016	(71,508)

	31 December 2013		31 December 2012	
	BYR/EUR	BYR/EUR	BYR/EUR	BYR/EUR
	20%	-10%	20%	-10%
Impact on profit before taxation	(2,774)	1,386	13,057	(6,529)
Impact on comprehensive income after taxation	(2,274)	1,137	10,707	(5,354)

	31 December 2013		31 December 2012	
	BYR/RUB	BYR/RUB	BYR/RUB	BYR/RUB
	20%	-10%	20%	-10%
Impact on profit before taxation	245	(123)	4,736	(2,369)
Impact on comprehensive income after taxation	201	(101)	3,884	(1,942)

Limitations of sensitivity analysis

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

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

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

Operational risk

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

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

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

Proactive methods of operational risk management in the Bank include maintaining of operational risks register and use of key operational risk indicators system.

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

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

32. SUBSEQUENT EVENTS

According to official statistics published by National Statistical Committee of the Republic of Belarus inflation level in the Republic of Belarus was 1.6% for the first month of 2014.

As at the date of approval of these financial statements Belarusian Ruble strengthened against the currency basket by 0.67% in comparison with 31 December 2013, which comprises Belarusian Ruble weakening against US Dollar and Euro by 2.73% and 2.45%, respectively, and strengthening against Russian Ruble by 6.88%.