Translation of the original Russian version

Bank BelVEB OJSC and its subsidiaries

Consolidated financial statements

Year ended 31 December 2015
together with Independent auditors' report

Contents

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Report of an independent audit firm on the financial statements of Open Joint Stock Company "Belvnesheconombank" for the period from 1 January 2015 to 31 December 2015

To the Chairman of the Management Board
of Open Joint Stock Company "Belvnesheconombank"
Mr. Mikalai Luzgin

To the Shareholders and Supervisory Board of Open Joint Stock Company "Belvnesheconombank"

We have audited the accompanying consolidated financial statements of Open Joint Stock Company "Belvnesheconombank" and its subsidiaries (hereinafter, the "Bank"), which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year 2015, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Management of the audited entity for the preparation of consolidated financial statements

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

Responsibility of the audit firm

Our responsibility is to express an opinion on the fairness of these consolidated financial statements based on our audit.

We conducted our audit in accordance with Law of the Republic of Belarus "On Auditing" of 12 July 2013, national auditing rules effective in the Republic of Belarus and International Standards on Auditing. Those rules and standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The audit procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the audited entity, as well as evaluating the overall presentation of the consolidated financial statements.

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

Совершенствуя бизнес,
улучшаем мир

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Audit opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Open Joint Stock Company "Belvnesheconombank" and its subsidiaries as of 31 December 2015, and its financial performance and cash flows for the year 2015 in accordance with International Financial Reporting Standards.

P.A. Laschenko
Partner, FCCA
Director, Ernst & Young LLC

9 March 2016

Details of the audited entity

Name: Open Joint Stock Company "Belvnesheconombank" (OJSC "Bank BelVEB")
Open Joint Stock Company "Belvnesheconombank" registered by the National Bank of the Republic of Belarus on 12 December 1991, registration No. 24.
Address: 29 Pobediteley av., Minsk, Republic of Belarus, 220004.

Details of the audit firm

Name: Ernst & Young Limited Liability Company
Certificate of State Registration No. 577 issued by the Minsk Municipal Executive Committee on 7 April 2005.
Address: 51A Klary Tsetkin str., 15th floor, Minsk, Republic of Belarus, 220004.

Consolidated statement of financial position

As of 31 December 2015

(Millions of Belarusian rubles)

	Notes	*2015*	*2014*
Assets			
Cash and cash equivalents	6	3,468,082	2,104,736
Precious metals		4,976	4,183
Derivative financial assets	8	766	976
Amounts due from credit institutions	7	477,887	298,516
Loans to customers	9	21,630,626	17,204,147
Investment securities available for sale	10	5,110,684	2,667,181
Investment in associate	12	39,182	41,808
Property and equipment	13	1,464,915	1,292,580
Assets constructed for sale	14	184,852	240,292
Investment property	11	41,454	37,922
Intangible assets	15	304,535	233,422
Current income tax asset		39,783	13
Deferred income tax assets	16	44,275	327
Other assets	18	514,107	315,450
Total assets		**33,326,124**	**24,441,553**
Liabilities			
Amounts due to credit institutions	19	12,642,126	9,801,879
Amounts due to the National Bank of the Republic of Belarus	20	61,734	500,112
Derivative financial liabilities	8	128	38
Amounts due to customers	21	14,465,732	8,771,582
Debt securities issued	22	27,520	36,882
Current income tax liabilities		2,252	25,789
Deferred income tax liabilities	16	9,318	65,634
Other liabilities	18	253,813	280,546
Subordinated debt	23	1,845,276	1,173,752
Total liabilities		**29,307,899**	**20,656,214**
Equity			
Share capital	24	4,730,571	4,730,571
Share premium		4,579	4,579
Additional paid-in capital		54,853	54,853
Revaluation reserve for buildings		240,964	277,865
Unrealized gains/(losses) on investment securities available for sale		–	(1,388)
Accumulated deficit		(1,100,606)	(1,380,654)
Total equity attributable to shareholders of the Bank		**3,930,361**	**3,685,826**
Non-controlling interests		87,864	99,513
Total equity		**4,018,225**	**3,785,339**
Total equity and liabilities		**33,326,124**	**24,441,553**

Signed and authorized for release on behalf of the Management Board of the Bank

Mikalai Luzgin — Chairman of the Board

Liudmila Filipava — Chief Accountant

9 March 2016

The accompanying notes on pages 7 to 64 are an integral part of these consolidated financial statements.

Translation of the original Russian version

Consolidated statement of profit or loss

For the year ended 31 December 2015

(Millions of Belarusian rubles)

	Notes	*2015*	*2014*
Interest income			
Loans to customers		3,271,835	2,424,619
Investment securities		290,069	170,314
Amounts due from credit institutions		27,150	31,669
Finance lease		7,674	14,606
		3,596,728	**2,641,208**
Interest expense			
Amounts due to credit institutions		(944,188)	(568,982)
Amounts due to customers		(896,799)	(594,431)
Subordinated debt		(99,547)	(61,560)
Debt securities issued		(10,654)	(22,549)
		(1,951,188)	**(1,247,522)**
Net interest income		**1,645,540**	**1,393,686**
Allowance for loan impairment	9	(1,398,840)	(290,799)
Effect of initial recognition of interest-bearing assets		(19,722)	(19,064)
Net interest income after allowance for loan impairment		**226,978**	**1,083,823**
Net fee and commission income	26	446,416	392,278
Net gains from investment securities available for sale		1,158	2,876
Net gains/(losses) from foreign currencies:			
- dealing		300,233	193,005
- transactions with derivative financial instruments		5,423	357
- translation differences		307,692	(55,063)
Share in (loss)/profit of associate	12	(2,626)	2,057
Other income	27	350,785	350,821
Non-interest income		**1,409,081**	**886,331**
Personnel expenses	28	(565,719)	(520,038)
Depreciation and amortization	11, 13, 15	(123,775)	(91,176)
Taxes other than income tax		(33,931)	(74,957)
Other operating expenses	28	(561,879)	(462,635)
Other gains/(losses) from impairment and provisions	17	4,073	(410)
Non-interest expense		**(1,281,231)**	**(1,149,216)**
Profit before income tax and loss on net monetary position		**354,828**	**820,938**
Loss on net monetary position resulting from hyperinflation		–	(342,195)
Profit before income tax and after loss on net monetary position		**354,828**	**478,743**
Income tax expense	16	(12,955)	(194,397)
Profit for the year		**341,873**	**284,346**
Attributable to:			
- shareholders of the Bank		352,408	265,023
- non-controlling interests		(10,535)	19,323
		341,873	**284,346**

The accompanying notes on pages 7 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2015

(Millions of Belarusian rubles)

	Notes	*2015*	*2014*
Profit for the year		**341,873**	**284,346**
Other comprehensive income/(loss)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Unrealized gains/(losses) on investment securities available for sale		2,546	(2,219)
Realized losses on investment securities available for sale reclassified to the statement of profit or loss		(1,158)	(2,876)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods		**1,388**	**(5,095)**
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:			
Revaluation of buildings	24	(32,743)	98,953
Income tax	16	(673)	(3,648)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(33,416)**	**95,305**
Other comprehensive income for the year, net of tax		**(32,028)**	**90,210**
Total comprehensive income for the year		**309,845**	**374,556**
Attributable to:			
- shareholders of the Bank		320,380	355,233
- non-controlling interests		(10,535)	19,323
		309,845	**374,556**

The accompanying notes on pages 7 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2015

(Millions of Belarusian rubles)

	Attributable to shareholders of the Bank								
	Share capital	*Share premium*	*Additional paid-in capital*	*Revaluation reserve for buildings*	*Unrealized gains/ (losses) on investment securities available for sale*	*Accumulated deficit*	*Total*	*Non-controlling interests*	*Total equity*
31 December 2013	**4,730,571**	**4,579**	**54,853**	**185,199**	**3,707**	**(1,576,134)**	**3,402,775**	**86,565**	**3,489,340**
Profit for the year	–	–	–	–	–	265,023	**265,023**	19,323	**284,346**
Other comprehensive income/(loss) for the year	–	–	–	95,305	(5,095)	–	**90,210**	–	**90,210**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**95,305**	**(5,095)**	**265,023**	**355,233**	**19,323**	**374,556**
Depreciation of revaluation reserve for building, net of tax (Note 24)	–	–	–	(2,639)	–	2,639	**–**	–	**–**
Dividends to shareholders of the Bank	–	–	–	–	–	(72,182)	**(72,182)**	–	**(72,182)**
Dividends paid by subsidiaries	–	–	–	–	–	–	**–**	(6,375)	**(6,375)**
31 December 2014	**4,730,571**	**4,579**	**54,853**	**277,865**	**(1,388)**	**(1,380,654)**	**3,685,826**	**99,513**	**3,785,339**
Profit for the year	–	–	–	–	–	352,408	**352,408**	(10,535)	**341,873**
Other comprehensive income/(loss) for the year	–	–	–	(33,416)	1,388	–	**(32,028)**	–	**(32,028)**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**(33,416)**	**1,388**	**352,408**	**320,380**	**(10,535)**	**309,845**
Depreciation of revaluation reserve for building, net of tax (Note 24)	–	–	–	(3,485)	–	3,485	**–**	–	**–**
Dividends to shareholders of the Bank (Note 24)	–	–	–	–	–	(75,845)	**(75,845)**	–	**(75,845)**
Dividends paid by subsidiaries	–	–	–	–	–	–	**–**	(1,114)	**(1,114)**
31 December 2015	**4,730,571**	**4,579**	**54,853**	**240,964**	**–**	**(1,100,606)**	**3,930,361**	**87,864**	**4,018,225**

The accompanying notes on pages 7 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2015

(Millions of Belarusian rubles)

	Notes	*2015*	*2014*
Profit for the period before loss on net monetary position		**341,873**	**626,541**
Adjustments:			
Depreciation and amortization		123,775	91,176
Income tax expense		12,955	194,397
Impairment allowance and other provisions		1,394,767	291,209
Changes in the fair value of derivatives		300	(931)
Share in loss/(profit) of associate		2,626	(2,057)
Translation differences		(307,692)	55,063
Effect of initial recognition of interest-bearing assets		19,722	19,064
Changes in interest accruals		(154,489)	(25,470)
Loss/(profit) from revaluation of property (buildings)		18,318	(58,958)
Profit from disposal of property and equipment and intangible assets		(1,597)	(6,658)
Collateral received under previously written-off loans		3,966	–
Other changes		(1,918)	(24,335)
Cash flows from operating activities before changes in operating assets and liabilities		**1,452,606**	**1,159,041**
Net (increase)/decrease in operating assets:			
Precious metals		(793)	8,364
Amounts due from credit institutions		(19,672)	529,342
Loans to customers		1,357,164	(2,018,788)
Assets constructed for sale		55,440	(18,975)
Other assets		(149,435)	(84,377)
Net increase/(decrease) in operating liabilities:			
Sort-term amounts due to credit institutions		(2,786,346)	(551,466)
Amounts due to customers		1,743,890	1,491,770
Other liabilities		1,603	44,664
Net cash flows from operating activities before income tax		**1,654,457**	**559,575**
Income tax paid		(177,199)	(133,353)
Net cash from/(used in) operating activities		**1,477,258**	**426,222**

The accompanying notes on pages 7 to 64 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows (continued)

For the year ended 31 December 2015

(Millions of Belarusian rubles)

	Notes	*2015*	*2014*
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		2,413,314	458,178
Purchase of investment securities		(3,226,460)	(708,774)
Purchase of property and equipment and intangible assets		(433,411)	(288,403)
Proceeds from sale of property and equipment		17,161	12,527
Net cash used in investing activities		**(1,229,396)**	**(526,472)**
Cash flows from financing activities			
Proceeds from long-term interbank borrowings		2,013,830	2,033,210
Repayment of long-term interbank borrowings		(1,386,071)	(1,737,317)
Proceeds from debt securities issued		50,030	188,334
Redemption of debt securities issued		(58,930)	(159,868)
Proceeds from subordinated debt		–	162,128
Dividends paid to shareholders of the Bank		(68,076)	(62,461)
Dividends paid by subsidiaries		(1,114)	(5,657)
Net cash from financing activities		**549,669**	**418,369**
Effect of exchange rates changes on cash and cash equivalents		565,815	93,645
Effect of hyperinflation on cash and cash equivalents		–	(476,055)
Net increase/(decrease) in cash and cash equivalents		**1,363,346**	**(64,291)**
Cash and cash equivalents, beginning		**2,104,736**	**2,169,027**
Cash and cash equivalents, ending	6	**3,468,082**	**2,104,736**

The accompanying notes on pages 7 to 64 are an integral part of these consolidated financial statements.

(Millions of Belarusian rubles unless otherwise stated)

1. Principal activities

Belvnesheconombank Open Joint Stock Company (Bank BelVEB OJSC) was formed on 12 December 1991 as an open joint stock company under the laws of the Republic of Belarus. Bank BelVEB OJSC operates under general banking license No. 6 issued by the National Bank of the Republic of Belarus ("NBRB") on 27 December 2013, the special license for operations with precious metals and precious stones issued by the Ministry of Finance of the Republic of Belarus on 23 June 2010 and the special permit (license) for operations with securities issued by the Ministry of Finance of the Republic of Belarus on 29 July 2002.

Belvnesheconombank Open Joint Stock Company (Bank BelVEB OJSC) is a universal financial institution and occupies one of the leading positions among the commercial banks in the Republic of Belarus. Its activities include international settlements, currency operations and other services relating to foreign trade activities of the state and customers. The Bank has extensive experience and a proven reputation in both international and domestic markets. The Bank's main office is in Minsk. The Bank has 18 branches, including 5 offices in regional cities, 3 offices in Minsk, 10 offices in major cities throughout the country, as well as 15 cash settlement centers and 22 retail centers.

The Bank's legal address is 29 Pobediteley av., Minsk, Republic of Belarus, 220004.

Bank BelVEB OJSC is a principal member of MasterCard International (since 1994) and VISA International (since 1995).

Bank BelVEB OJSC is a member of the deposit insurance system. The system operates under the Belarusian laws and regulations and is governed by the public institution "Agency of Deposits Compensation". Insurance covers Bank BelVEB OJSC's liabilities to individual depositors for 100% of each individual deposit amount in case of business failure and revocation of the NBRB banking license.

These consolidated financial statements comprise the financial statements of Bank BelVEB OJSC and its subsidiaries (together referred to as the "Bank"). A list of consolidated subsidiaries is presented in Note 2.

As of 31 December, the following shareholders owned more than 5% of the outstanding shares:

Shareholder	***2015 %***	***2014 %***
State Corporation "Bank for Development and Foreign Economic Affairs (Vnesheconombank)"	97.52	97.52
Other	2.48	2.48
Total	**100.00**	**100.00**

The Bank is ultimately controlled by the Russian Government.

As of 31 December 2015, members of the Supervisory Board of Directors and Management Board owned 55 shares (or 0.00000047%) (31 December 2014: 50 shares or 0.00000043%).

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank is required to maintain accounting records and prepare its financial statements for regulatory purposes in Belarusian rubles in accordance with Belarusian accounting and banking legislation and related instructions ("BAL"). These consolidated financial statements are based on the Bank's BAL books and records, as adjusted and reclassified in order to comply with IFRS.

2. Basis of preparation (continued)

General (continued)

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, securities available-for-sale, property and equipment (buildings) and derivative financial instruments have been measured at fair value.

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

Inflation accounting

With effect from 1 January 2011, the Belarusian economy was considered hyperinflationary in accordance with the criteria in IAS 29 *Financial Reporting in Hyperinflationary Economies*. Accordingly, adjustments and reclassifications for the purposes of presentation of IFRS financial statements include restatement, in accordance with IAS 29, for changes in the general purchasing power of the Belarusian ruble.

The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit effective at the end of the reporting period.

In applying IAS 29, the Bank has used conversion factors derived from the Belarusian consumer price index ("CPI"), published by the National Statistical Committee of the Republic of Belarus. The CPIs for the nine-year period and respective conversion factors since the time when the Republic of Belarus previously ceased to be considered hyperinflationary, i.e. since 1 January 2006 were as follows:

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

Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring units current as of 31 December 2014. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 31 December 2014) are restated by applying the relevant index. The effect of inflation on the Bank's net monetary position is included in the consolidated statement of profit or loss as loss on net monetary position resulting from hyperinflation.

The application of IAS 29 results in an adjustment for the loss of purchasing power of the Belarusian ruble recorded in the statement of profit or loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on net monetary position. This loss is derived as the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the statement of comprehensive income. Corresponding figures for the year ended 31 December 2014 have also been restated so that they are presented in terms of the purchasing power of the Belarusian ruble as of 31 December 2014.

With effect from 1 January 2015, the Belarusian economy ceased to be considered hyperinflationary. The value of the Bank's non-monetary assets, liabilities and equity presented in measuring units current as of 31 December 2014 was used for opening balances for 2015.

(Millions of Belarusian rubles unless otherwise stated)

2. Basis of preparation (continued)

Subsidiaries

The consolidated financial statements include the following subsidiaries:

	31 December 2015 and 2014				
Subsidiary	***Interest/voting, %***	***Country***	***Date of incorporation***	***Industry***	***Date of acquisition***
Belvneshstrakh	100.0	Republic of Belarus	17 October 1994	Insurance	17 October 1994
International Energy Center	52.1	Republic of Belarus	3 May 2007	Production and wholesale of energy	3 May 2007
Vnesheconomstroy	51.0	Republic of Belarus	4 September 2002	Real estate transactions	4 September 2002

Associate

Investments in the associate below are accounted for under the equity method:

	31 December 2015 and 2014				
Associate	***Interest/voting, %***	***Country***	***Date of incorporation***	***Industry***	***Date of acquisition***
Sivelga	25.002	Republic of Belarus	30 April 1996	Manufacturing	3 October 2006

3. Summary of accounting policies

Changes in accounting policies

The Bank has adopted the following amended IFRS effective for annual periods beginning on or after 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are not relevant to the Bank, since the Bank does not have defined benefit plans with contributions from employees or third parties.

Annual improvements 2010-2012 cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions, which are vesting conditions, including:

- a performance condition must contain a service condition;
- a performance target must be met while the counterparty is rendering service;
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- a performance condition may be a market or non-market condition;
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

These amendments had no impact on the Bank.

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable).

These amendments had no impact on the Bank.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarify that:

- an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar';
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Bank has not applied the aggregation criteria in IFRS 8.12.

IFRS 13 Fair Value Measurement

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Bank's current accounting policy, and thus this amendment does not affect the Bank's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendments are applied retrospectively and clarify in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. The Bank recorded revaluation adjustments during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant to the Bank, as it does not receive any management services from other entities.

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and the Bank has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

The Bank is not a joint arrangement, and thus this amendment is not relevant to the Bank and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13, which provides the possibility of fair value assessment on the portfolio level, can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Bank does not apply the portfolio exception in IFRS 13, which provides the possibility of fair value assessment on the portfolio level.

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The amendment has no impact on the Bank's accounting policies.

Meaning of effective IFRSs – Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the Bank, since the Bank is an existing IFRS preparer.

Basis of consolidation

Subsidiaries, which are those entities in which the Bank has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if, and only if, the Bank has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Bank's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Bank and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses of subsidiaries are attributed to the non-controlling interests even if that results in a deficit balance.

If the Bank loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

Investments in associates

Associates are entities in which the Bank generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognized at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Bank's share of net assets of the associate. The Bank's share of its associates' profits or losses is recognized in profit or loss. However, when the Bank's share of losses in an associate equals or exceeds its interest in the associate, the Bank does not recognize further losses, unless the Bank is obliged to make further payments to, or on behalf of, the associate.

3. Summary of accounting policies (continued)

Investments in associates (continued)

Unrealized gains on transactions between the Bank and its associates are eliminated to the extent of the Bank's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Fair value measurements

The Bank measures financial instruments, such as trading and available-for-sale securities, derivatives and nonfinancial assets such as buildings, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 30.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 – valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Bank determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Bank determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. Summary of accounting policies (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognized in consolidated statement of profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of profit or loss when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognized in other comprehensive income until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated statement of profit or loss. However, interest calculated using the effective interest method is recognized in the consolidated statement of profit or loss.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Bank has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Bank has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in the consolidated statement of profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortized cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBRB, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Precious metals

Precious metals in the form of ingots and coins are recorded at bid prices, which approximate fair values. The Bank determines value of write-off precious metals in the form of ingots and coins at self-cost of each unit.

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) from foreign currencies dealing.

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the National Bank, amounts due to credit institutions, amounts due to customers, debt securities issued and subordinated debts. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of profit or loss when the borrowings are derecognized as well as through the amortization process.

Borrowings from parent originated at interest rates different from market rates are measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar borrowings. The difference between the fair value and the nominal value at origination is charged to equity as additional paid in capital. Subsequently, the carrying amount of such borrowings is adjusted for amortisation of the gains/losses on origination and the related expense is recorded as interest expense within the consolidated statement of profit or loss using the effective interest method.

Government grants

Government grants in the form of a non-financial asset receivable from the Government are recognized at the net present value of future discounted cash flows in respect of compensation of interest income. The loss on initial recognition of preferential loans is presented on Netto-basis with income from recognition of government grants in the consolidated statement of profit or loss.

The further reflection of receivable under the government grants is performed at amortized cost using the method of effective interest rate. Government grants are tested for impairment with the following recognition of gains/(losses) in the consolidated statement of profit or loss in case of ceasing the recognition of instrument or in the process of amortization.

Write-off of loans

Loans are written off against the allowance for impairment losses when deemed uncollectible, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank including sale of all available collateral. The decision to write off bad debt against the allowance for impairment is approved by the management of the Bank.

Leases

Finance − Bank as lessor

The Bank recognizes lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating − Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating − Bank as lessor

The Bank presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in the consolidated statement of profit or loss on a straight-line basis over the lease term. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Measurement of financial instruments at initial recognition

When financial instruments are recognized initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Bank determines that the fair value at initial recognition differs from the transaction price, then:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Bank recognizes the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Bank recognizes that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognized.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to realize the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity or any of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Impairment of financial assets

The Bank establishes at each reporting date whether there is any objective evidence of impairment of a financial asset or a group of financial assets. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

The objective indicators of loan impairment include the following "loss events":

- significant deterioration of the borrower's financial position;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the restructuring (hidden restructuring) of the debt;
- probability of the borrower's bankruptcy or other financial reorganization;
- available evidence of impairment of a group of loans with no evidence of impairment of an individual loan (e.g. increase in overdue credit card payments; unfavorable industry changes, decrease in borrowers' commodity prices).

The Bank analyzes at each reporting date whether there are any indications that financial assets may be impaired and exercises professional judgment to adjust observable data relating to a group of financial assets to current circumstances. Methods and assumptions used to assess impairment of financial assets are regularly reviewed to minimize the possibility of differences between actual and estimated losses.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not to be included in a collective assessment of impairment.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated statement of profit or loss.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit rating system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Investment securities available for sale

For available-for-sale financial investments, the Bank assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the consolidated statement of profit or loss – is reclassified from other comprehensive income to the consolidated statement of profit or loss. Impairment losses on equity investments are not reversed through the consolidated statement of profit or loss; increases in their fair value after impairment are recognized in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated statement of profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of profit or loss, the impairment loss is reversed through the consolidated statement of profit or 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.

Such restructuring is accounted for as follows:

- if the currency of the loan is changed, the previous loan is derecognized and the new loan is recognized in the consolidated statement of financial position;
- if the restructuring is not due to financial difficulties of the borrower, the Bank uses the same approach as for financial liabilities as described below.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously 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.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in the consolidated statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Financial guarantees

In the ordinary course of business, the Bank gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated statement of profit or loss. The premium received is recognized in the consolidated statement of profit or loss on a straight-line basis over the life of the guarantee.

Taxation

The income tax expense is the sum of current and deferred income taxes.

The current income tax expense is estimated individually by the Bank and each of its subsidiaries based on the results recorded in their statements of profit or loss prepared under the requirements of Belarusian legislation and after any adjustments for taxation purposes.

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Taxation (continued)

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Belarus also has various operating taxes that are assessed on the Bank's activities. These taxes are recorded separately in the consolidated statement of profit or loss.

Property and equipment

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation of buildings included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of profit or loss, in which case the increase is recognized in profit or loss. A revaluation deficit is recognized in the consolidated statement of profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Property and equipment, except for buildings, are carried at cost adjusted for hyperinflation, excluding the cost of day-to-day serving, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of the property and equipment if the recognition criteria are met.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	15-100
Furniture and office supplies	2-10
Computers and equipment	2-8
Motor vehicles	2-10

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Investment property

Investment property represented by the parts of buildings (office buildings) is held to earn rental income and is not used by the Bank or held for the sale in the ordinary course of business.

Investment property is initially recognized at cost adjusted for hyperinflation, excluding the cost of ongoing maintenance, less accumulated depreciation and accumulated impairment losses. The rent income is reflected in the consolidated statement of profit or loss. Depreciation is calculated on a straight-line basis over the following estimated useful life of the asset which is 100 years.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Bank and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to property and equipment (to buildings).

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated depreciation and any accumulated impairment losses adjusted for hyperinflation.

The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortized over the useful economic lives of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Assets constructed for sale

Assets constructed for sale comprise buildings under construction which will be sold to legal entities and individuals upon completion. Assets constructed for sale are measured at the lower of the cost adjusted on hyperinflation and selling price.

Provisions

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

Retirement and other employee benefit obligations

In the reporting period, the Bank participated in the State pension system of the Republic of Belarus, which requires current contributions by the employer calculated as a percentage of current gross salary payments. In addition, the Bank undertook additional pension obligations in the form of payments to former employees who have retired and are unemployed. These expenses are charged in the period the related salaries are earned.

Since 1 January 2013 the Bank has participated in the system of voluntary supplementary pension insurance of employees – the pension plan with defined contribution. Pension insurance expenses are reflected in other operating expenses.

Share capital

Share capital

Ordinary shares are reflected as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as share premium.

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Share capital (continued)

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses; and for which financial information is available and is regularly reviewed by the entity's chief operating decision maker (a person or a group of persons) responsible for making decisions on allocation of resources and assessing financial performance.

Financial information is to be reported on the same basis as is used internally for assessing the performance of operating segments while making decision on resource allocation between operating segments.

The Bank's segment reporting is based on the following operating segments: corporate banking, retail banking and inter-bank operations. Note 5 "Segment information" of these consolidated financial statements contains information relating to profit and loss, assets and liabilities of the Bank's operating segments. This information is provided to persons responsible for making decisions in the Bank.

In addition, the Bank has presented a reconciliation of profit and loss before taxation of the reporting segments, as well as a reconciliation of the gross amount of segment assets to the total amount of the Bank's assets presented in these consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. Contingent assets are not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, advanced repayment) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

► *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

► *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria.

Dividend income

Revenue is recognized when the Bank’s right to receive the payment is established.

Revenue from sales of goods

Revenue from sales of goods is recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer.

Revenue from rendering of services

Revenue from rendering of services is recognised by reference to the stage of completion when the outcome of the contract can be estimated reliably. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are eligible to be recovered.

Insurance transactions

Insurance premiums

The premiums on insurance contracts are recorded from the date of commencement of the insurance contracts and relate to income proportional over the term of insurance contracts by changing the amount of provision for unearned premiums.

Provision for unearned premiums

Unearned premium reserve is formed at the amount of the premiums written in the period that relates to unexpired terms of policies in force as of the reporting date, calculated on a time apportionment basis.

Claims paid

Claims paid including claims expenses are charged to the consolidated statement of profit or loss as incurred.

Insurance loss provision

Loss provision represents the accumulation of estimates for ultimate losses and includes outstanding claims provision for losses incurred but not yet reported. The estimation is made on the basis of investigation of insurance cases on a claim-by-claim basis. Once the provision is created, the Bank keeps insurance liabilities in its consolidated statement of financial position until they are discharged, or cancelled, or expired. Methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss as they arise. The loss provisions are estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment.

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in Belarusian rubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of profit or loss as "Net gains/(losses) from foreign currencies – translation differences". Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBRB exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

The closing exchange rates that were used in the preparation of these consolidated financial statements are presented in the table below:

	31 December 2015	*31 December 2014*
BYR/USD	18,569.00	11,850.00
BYR/EUR	20,300.00	14,380.00
BYR/RUB	255.33	214.50

Standards and interpretations issued but not yet effective

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

IFRS 9 Financial Instruments

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

(Millions of Belarusian rubles unless otherwise stated)

3. Summary of accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Bank is an existing IFRS preparer, this standard would not apply.

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

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

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

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

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

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

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

Amendments to IAS 27: Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in their separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early application permitted. The Bank currently considers whether to apply these amendments for preparation of its separate financial statements.

3. Summary of accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

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

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

Amendments to IAS 1 Disclosure Initiative

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

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

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

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

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

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early application permitted. These amendments are not expected to have any impact on the Bank.

Annual improvements 2012-2014 cycle

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

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal

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

3. Summary of accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 7 Financial Instruments: Disclosures – servicing contracts

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

IFRS 7 Financial Instruments: Disclosure – applicability of the offsetting disclosures to condensed interim financial statements

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

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

IAS 19 Employee Benefits – regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
The amendment is effective for annual periods beginning on or after 1 January 2016, with early application permitted.

IAS 34 Interim Financial Reporting – disclosure of information ‘elsewhere in the interim financial report’

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

4. Significant accounting judgments and estimates

In the process of applying the Bank’s accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Additional details are provided in Note 30.

(Millions of Belarusian rubles unless otherwise stated)

4. Significant accounting judgments and estimates (continued)

Revaluation of buildings

As of 31 December 2015 and 2014, the revaluation of buildings at fair value was performed using the method of comparison with the market. It means that the estimation, made by the appraiser, based on the market transactions prices, which are significantly adjusted at the differences of the nature, location or condition of each the buildings.

Nevertheless, results of the data evaluation methods may not always be correspond the prices of the current market transactions.

Insurance loss provision

Loss provision represents the accumulation of estimates for ultimate losses and includes outstanding claims provision for losses incurred but not yet reported. The estimation is made on the basis of investigation of insurance cases on a claim-by-claim basis. Once the provision is created, the Bank keeps insurance liabilities in its consolidated statement of financial position until they are discharged, or canceled, or expired. Methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss as they arise. The loss provisions are estimated on an undiscounted basis due to the relatively quick pattern of claims notification and payment.

Allowance for loan impairment

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in 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 the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits.

5. Segment information

For management purposes the Bank is organized into three operating segments:

Retail banking	Issuing and servicing retail loans for various purposes, handling individual customers' deposits, cash and settlements operations, currency transactions, the issue and maintenance of payment cards, operations with precious metals.
Corporate banking	Sales of banking products and providing services (issuing loans and financing) to corporate and private entrepreneurial customers, attracting deposits from corporate customers, cash and settlements operations, currency and documentary transactions.
Interbank operations	Handling accounts of other banks, handling transactions of allocation/raising funds in the interbank market, including transactions with the NBRB, currency conversion operations with other banks, transactions with derivatives, bank securities transactions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

In 2015 and 2014, no revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue. Non-current non-financial assets and deferred tax assets are related to the Republic of Belarus. Generally, revenue is earned from sources in the Republic of Belarus.

(Millions of Belarusian rubles unless otherwise stated)

5. Segment information (continued)

Segment reporting of the Bank's assets and liabilities as of 31 December 2015 is as follows:

	Corporate banking	*Retail banking*	*Interbank operations*	*Other*	*Total*
Segment assets	26,681,403	878,698	3,183,440	3,041,405	**33,784,946**
Segment liabilities	7,452,613	7,208,853	14,803,106	280,612	**29,745,184**

Segment reporting of the Bank's assets and liabilities as of 31 December 2014 is as follows:

	Corporate banking	*Retail banking*	*Interbank operations*	*Other*	*Total*
Segment assets	19,582,316	754,129	1,890,871	2,216,326	**24,443,642**
Segment liabilities	4,627,694	4,345,043	11,689,246	283,034	**20,945,017**

Revenue and profit information of the Bank's operating segments for the years ended 31 December 2015 and 2014, respectively, is presented below:

2015	*Corporate banking*	*Retail banking*	*Interbank operations*	*Other*	*Total*
Revenue from operations with external customers					
Interest income	2,970,292	240,939	305,097	–	**3,516,328**
Net fee and commission income/(expense)	324,865	228,981	(6,271)	–	**547,575**
Net gains from foreign currencies	45,811	63,312	453,116	–	**562,239**
Other income	156,598	10,263	83,910	47,217	**297,988**
Total revenue	**3,497,566**	**543,495**	**835,852**	**47,217**	**4,924,130**
Interest expense	(533,469)	(376,627)	(1,028,453)	–	**(1,938,549)**
Allowance for loan impairment	(1,150,574)	(14,749)	6,171	–	**(1,159,152)**
Segment profit/(loss) before non-interest expense	**1,813,523**	**152,119**	**(186,430)**	**47,217**	**1,826,429**
Non-interest expense	(267,893)	(254,544)	(90,477)	(560,348)	**(1,173,262)**
Income tax expense					**(111,320)**
Profit for the year					**541,847**

2014	*Corporate banking*	*Retail banking*	*Interbank operations*	*Other*	*Total*
Revenue from operations with external customers					
Interest income	2,090,107	171,657	189,259	–	**2,451,023**
Net fee and commission income/(expense)	279,391	194,780	(6,016)	–	**468,155**
Net gains from foreign currencies	6,032	35,501	54,844	–	**96,377**
Other income	36,228	3,255	22,924	21,556	**83,963**
Total revenue	**2,411,758**	**405,193**	**261,011**	**21,556**	**3,099,518**
Interest expense	(353,683)	(221,723)	(609,957)	–	**(1,185,363)**
Allowance for loan impairment	(363,352)	(12,349)	25,647	–	**(350,054)**
Segment profit/(loss) before non-interest expense	**1,694,723**	**171,121**	**(323,299)**	**21,556**	**1,564,101**
Non-interest expense	(204,793)	(194,240)	(86,959)	(464,400)	**(950,392)**
Income tax expense					**(108,149)**
Profit for the year					**505,560**

(Millions of Belarusian rubles unless otherwise stated)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2015	*2014*
Cash on hand	811,411	545,371
Current accounts with the National Bank of the Republic of Belarus	712,180	731,466
Current accounts with credit institutions	1,944,491	406,987
Time deposits up to 90 days	–	420,912
Cash and cash equivalents	**3,468,082**	**2,104,736**

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2015	*2014*
Time deposits for more than 90 days	330,187	170,635
Obligatory reserve with the National Bank of the Republic of Belarus	80,005	82,946
Other amounts	67,695	44,935
Amounts due from credit institutions	**477,887**	**298,516**

Belarusian credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the NBRB, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

As of 31 December 2015 and 2014, amounts due from credit institutions that are included in "Other Assets" are funds transferred to banks as guarantee deposits for the transactions using payment cards.

As of 31 December 2015 and 2014, time deposits placed with credit institutions for more than 90 days included deposits nominated in gold in the amount of BYR 243,389 million (2014: BYR 150,653 million).

Movements in the allowance for impairment of amounts due from credit institutions were as follows:

	2015	*2014*
At 1 January	**–**	**–**
Allowance charge	16	–
Write off	(16)	–
At 31 December	**–**	**–**

8. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The fair values of derivative financial instruments recorded as assets or liabilities in the consolidated financial statements, together with their notional amounts, are presented below. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year-end and are not indicative of the credit risk.

	31 December 2015			*31 December 2014*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange contracts						
Forwards and swaps – foreign	35,502	–	128	–	–	–
Forwards and swaps – foreign	–	–	–	69,052	677	–
Forwards and swaps – domestic	183,482	766	–	79,683	299	–
Forwards and swaps – domestic	–	–	–	28,760	–	38
Total derivative assets/ liabilities		**766**	**128**		**976**	**38**

(Millions of Belarusian rubles unless otherwise stated)

8. Derivative financial instruments (continued)

Foreign and domestic in the table above stand for counterparties where foreign means non-Belarusian entities and domestic means Belarusian entities.

As of 31 December 2015, the Bank has positions in the following types of derivatives:

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange movements in foreign currency rates to make payments with respect to defined credit events based on specified notional amounts.

9. Loans to customers

Loans to customers comprise:

	2015	*2014*
Corporate lending	16,080,580	12,606,744
Small and medium business lending	6,551,620	4,649,677
Consumer lending	679,092	572,803
Residential mortgages	161,979	155,523
Total loans to customers	**23,473,271**	**17,984,747**
Less: allowance for impairment	(1,842,645)	(780,600)
Loans to customers	**21,630,626**	**17,204,147**

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	Corporate lending 2015	*Small and medium business lending 2015*	*Consumer lending 2015*	*Residential mortgages 2015*	*Total 2015*
At 1 January 2015	**516,322**	**249,291**	**14,599**	**388**	**780,600**
Charge for the year	559,357	820,338	18,912	217	**1,398,824**
Amounts written off	(197,519)	(237,712)	(14,709)	(450)	**(450,390)**
Effect of foreign exchange rate changes	88,899	23,939	655	118	**113,611**
At 31 December 2015	**967,059**	**855,856**	**19,457**	**273**	**1,842,645**
Individual impairment	482,424	689,362	13,325	131	**1,185,242**
Collective impairment	484,635	166,494	6,132	142	**657,403**
	967,059	**855,856**	**19,457**	**273**	**1,842,645**
Total amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**3,861,203**	**4,025,986**	**14,955**	**144**	**7,902,288**

(Millions of Belarusian rubles unless otherwise stated)

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

	Corporate lending 2014	*Small and medium business lending 2014*	*Consumer lending 2014*	*Residential mortgages 2014*	*Total 2014*
At 1 January 2014	**543,112**	**187,860**	**5,138**	**931**	**737,041**
Charge for the year	123,044	154,909	12,738	108	**290,799**
Amounts written off	(155,124)	(93,140)	(3,267)	(650)	**(252,181)**
Effect of hyperinflation	(87,800)	(20,095)	(550)	(99)	**(108,544)**
Effect of foreign exchange rate changes	93,090	19,757	540	98	**113,485**
At 31 December 2014	**516,322**	**249,291**	**14,599**	**388**	**780,600**
Individual impairment	168,190	35,954	9,616	322	**214,082**
Collective impairment	348,132	213,337	4,983	66	**566,518**
	516,322	**249,291**	**14,599**	**388**	**780,600**
Total amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**1,087,840**	**280,089**	**11,006**	**431**	**1,379,366**

Collateral and other credit enhancements

The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- ► for securities lending and reverse repurchase transactions – cash or securities;
- ► for corporate lending – charges over real estate property, inventory, rights to claim future proceeds on accounts receivables or surety of third parties;
- ► for consumer lending – mortgages over residential properties, pledges of vehicles and surety of third parties.

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Concentration of loans to customers

As of 31 December 2015, the Bank had a concentration of loans represented by BYR 8,143,996 million due from the ten largest third party borrowers (34.7% of the gross loan portfolio) (2014: BYR 5,945,837 million, or 33%).
An allowance of BYR 399,782 million (2014: BYR 121,140 million) was created for these loans.

Loans were issued to the following types of customers:

	2015	*2014*
Private companies	12,247,130	9,568,378
State-controlled companies (state ownership of more than 50%)	10,385,070	7,688,043
Individuals	841,071	728,326
	23,473,271	**17,984,747**

(Millions of Belarusian rubles unless otherwise stated)

9. Loans to customers (continued)

Concentration of loans to customers (continued)

Loans are issued principally within the Republic of Belarus in the following industry sectors:

	2015	*2014*
Manufacturing	12,223,270	8,828,314
Trade venture	3,639,593	2,633,949
Agriculture and food processing	3,012,868	1,992,980
Real estate construction	1,961,244	1,703,042
Financial sector	1,300,348	468,256
Individuals	841,071	728,326
Transport	167,654	627,087
Science and education	42,236	749,527
Other	284,987	253,266
	23,473,271	**17,984,747**

Finance lease receivables

Finance lease receivables are included in the corporate lending portfolio. The analysis of finance lease receivables as of 31 December 2015 is as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Total investment in finance leases	20,339	394	–	**20,733**
Unearned future finance income on finance leases	(387)	(50)	–	**(437)**
Net investment in finance leases	**19,952**	**344**	**–**	**20,296**

The analysis of finance lease receivables as of 31 December 2014 is as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Total investment in finance leases	25,125	10,575	–	**35,700**
Unearned future finance income on finance leases	(7,492)	(4,052)	–	**(11,544)**
Net investment in finance leases	**17,633**	**6,523**	**–**	**24,156**

10. Investment securities available for sale

Available-for-sale securities comprise:

	2015	*2014*
Bonds of the Ministry of Finance of the Republic of Belarus	3,277,543	1,967,902
Bonds of the National Bank of the Republic of Belarus	942,952	–
Bonds of local authorities of the Republic of Belarus	888,609	695,204
Corporate shares	1,580	4,075
Available-for-sale securities	**5,110,684**	**2,667,181**

(Millions of Belarusian rubles unless otherwise stated)

10. Investment securities available for sale (continued)

Bonds of the Ministry of Finance of the Republic of Belarus are pledged under collateral loan of the National Bank of the Republic of Belarus (Note 31):

	2015	*2014*
Carrying amount	64,620	540,425
Number, pcs	343	448

11. Investment property

The movements in investment property are as follows:

	2015	*2014*
At 1 January	**37,922**	**12,310**
Transfer from property and equipment	–	18,884
Transfer from assets constructed for sale	3,969	6,962
Depreciation charge	(437)	(234)
At 31 December	**41,454**	**37,922**

Unrealized gains/(losses) for the period included in profit or loss

	2015	*2014*
Rental income from investment property	3,254	5,044
Direct operating expenses (including repair and maintenance) that did not generate rental income	(1,277)	(618)
	1,977	**4,426**

In accordance with the accounting policy the Bank recognizes the investment property at initial cost. If the Bank recognized investment property at fair value it would be approximately BYR 80,244 million.

12. Investment in associate

The following associate is accounted under the equity method:

Associate	*Ownership/ voting, %*	*Country*	*Date of incorporation*	*Industry*	*Date of acquisition*	*Carrying amount*
2015						
Sivelga	25.002	Republic of Belarus	30 April 1996	Manufacturing	3 October 2006	39,182

The movement of investments in the associate:

	2015	*2014*
Balance, beginning of the period	**41,808**	**39,751**
Share of (loss)/profit	(2,626)	2,057
Investment in the associate at the end of the period	**39,182**	**41,808**

(Millions of Belarusian rubles unless otherwise stated)

12. Investment in associate (continued)

The summarized financial information of material associate is presented below:

Sivelga	***2015***	***2014***
Cash and cash equivalents	2,681	140
Property and equipment	59,843	52,833
Other assets	75,368	87,928
Total assets	**137,892**	**140,901**
Amounts due to credit institutions	(8,843)	(11,049)
Other liabilities	(48,621)	(42,354)
Total liabilities	**(57,464)**	**(53,403)**
Net assets	**80,428**	**87,498**
Share in net assets	20,109	21,876
Accumulated effect of hyperinflation	19,073	19,932
Carrying amount of investment in associate	**39,182**	**41,808**

Sivelga	***For the year ended 31 December 2015***	***For the year ended 31 December 2014***
Interest expense	(139)	(4,043)
Non-interest income	120,614	152,570
Non-interest expense	(130,979)	(140,299)
Profit for the year	**(10,504)**	**8,228**
Other comprehensive income	–	–
Total comprehensive income for the year	**(10,504)**	**8,228**

As of 31 December 2015 and 2014, the Bank has no significant restrictions on the ability of associates to transfer funds to the Bank in the form of cash dividends, or to repay loans or advances made by the Bank.

13. Property and equipment

During 2015, the movements in property and equipment were as follows:

	Buildings	***Furniture and fixtures***	***Computers and office equipment***	***Motor vehicles***	***Assets under construction***	***Total***
Cost or revalued amount						
31 December 2014	**816,845**	**395,720**	**225,360**	**37,946**	**154,292**	**1,630,163**
Additions	–	55,574	95,225	759	159,698	**311,256**
Disposals	–	(16,797)	(3,719)	(5,006)	(3,239)	**(28,761)**
Transfers	20,612	–	–	–	(20,612)	**–**
Effect of revaluation	(60,690)	–	–	–	–	**(60,690)**
31 December 2015	**776,767**	**434,497**	**316,866**	**33,699**	**290,139**	**1,851,968**
Accumulated depreciation and impairment						
31 December 2014	**–**	**(202,335)**	**(119,999)**	**(15,249)**		**(337,583)**
Depreciation charge	(9,629)	(34,064)	(31,740)	(4,281)		**(79,714)**
Disposals	–	13,049	3,563	4,003		**20,615**
Effect of revaluation	9,629	–	–	–		**9,629**
31 December 2015	**–**	**(223,350)**	**(148,176)**	**(15,527)**		**(387,053)**
Net book value						
31 December 2014	**816,845**	**193,385**	**105,361**	**22,697**	**154,292**	**1,292,580**
31 December 2015	**776,767**	**211,147**	**168,690**	**18,172**	**290,139**	**1,464,915**

(Millions of Belarusian rubles unless otherwise stated)

13. Property and equipment (continued)

During 2014, the movements in property and equipment were as follows:

	Buildings	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Assets under construction*	*Total*
Cost or revalued amount						
31 December 2013	**629,167**	**353,427**	**197,236**	**35,168**	**116,280**	**1,331,278**
Additions	1,084	60,814	31,132	5,437	97,648	**196,115**
Disposals	–	(18,521)	(3,008)	(2,659)	(4,570)	**(28,758)**
Transfers to investment property	(20,099)	–	–	–	–	**(20,099)**
Transfers	55,066	–	–	–	(55,066)	**–**
Effect of revaluation	151,627	–	–	–	–	**151,627**
31 December 2014	**816,845**	**395,720**	**225,360**	**37,946**	**154,292**	**1,630,163**
Accumulated depreciation and impairment						
31 December 2013	**–**	**(192,653)**	**(98,852)**	**(13,434)**		**(304,939)**
Depreciation charge	(7,499)	(27,486)	(24,111)	(4,071)		**(63,167)**
Disposals	–	17,804	2,964	2,256		**23,024**
Transfers to investment property	1,215	–	–	–		**1,215**
Effect of revaluation	6,284	–	–	–		**6,284**
31 December 2014	**–**	**(202,335)**	**(119,999)**	**(15,249)**		**(337,583)**
Net book value						
31 December 2013	**629,167**	**160,774**	**98,384**	**21,734**	**116,280**	**1,026,339**
31 December 2014	**816,845**	**193,385**	**105,361**	**22,697**	**154,292**	**1,292,580**

The Bank engaged an independent appraiser to determine the fair value of its buildings. Fair value is determined by reference to market-based evidence. The date of the revaluation was 31 December 2015. More details about the fair value of buildings are disclosed in Note 30.

If the buildings were measured using the cost model, the carrying amounts would be as follows:

	2015	*2014*
Cost	**561,489**	**540,877**
Accumulated depreciation and impairment	(58,838)	(51,358)
Net book value	**502,651**	**489,519**

14. Assets constructed for sale

The movements in assets constructed for sale were as follows:

	Assets constructed for sale
31 December 2013	**221,317**
Additions	98,826
Disposals	(72,889)
Transfers to investment property	(6,962)
31 December 2014	**240,292**
Additions	40,803
Disposals	(92,274)
Transfers to investment property	(3,969)
31 December 2015	**184,852**

During its normal activity the Bank sells office and residential premises in constructed "Business Center" ("Housing complex with integrated-attached garages and social infrastructure and facilities") during the years 2014 and 2015.

In 2015, the Bank started sales of apartments in residential building whose construction launched in 2013.

(Millions of Belarusian rubles unless otherwise stated)

15. Intangible assets

The movements in intangible assets were as follows:

	Licenses	*Computer software*	*Investments in intangible assets*	*Total*
Cost				
31 December 2014	**76,973**	**108,982**	**108,846**	**294,801**
Additions	3,284	5,287	113,584	**122,155**
Disposals		(7,541)	–	**(7,541)**
Transfers	15,657	23,046	(38,703)	**–**
31 December 2015	**95,914**	**129,774**	**183,727**	**409,415**
Accumulated depreciation and impairment				
31 December 2014	**(10,792)**	**(50,587)**		**(61,379)**
Depreciation charge	(16,726)	(26,898)		**(43,624)**
Disposals	–	123		**123**
31 December 2015	**(27,518)**	**(77,362)**		**(104,880)**
Net book value				
31 December 2014	**66,181**	**58,395**	**108,846**	**233,422**
31 December 2015	**68,396**	**52,412**	**183,727**	**304,535**

	Licenses	*Computer software*	*Investments in intangible assets*	*Total*
Cost				
31 December 2013	**35,006**	**61,899**	**105,802**	**202,707**
Additions	20,421	24,991	46,876	**92,288**
Disposals	(59)	(135)	–	**(194)**
Transfers	21,605	22,227	(43,832)	**–**
31 December 2014	**76,973**	**108,982**	**108,846**	**294,801**
Accumulated depreciation				
31 December 2013	**(2,947)**	**(30,716)**		**(33,663)**
Depreciation charge	(7,904)	(19,871)		**(27,775)**
Disposals	59	–		**59**
31 December 2014	**(10,792)**	**(50,587)**		**(61,379)**
Net book value				
31 December 2013	**32,059**	**31,183**	**105,802**	**169,044**
31 December 2014	**66,181**	**58,395**	**108,846**	**233,422**

16. Taxation

Income tax expense comprises:

	2015	*2014*
Current tax charge	113,816	129,583
Deferred tax charge/(credit) – origination and reversal of temporary differences	(100,264)	68,427
Less: deferred tax recognized directly in equity	(673)	(3,648)
Less: amortization of deferred tax recognized directly in equity	76	35
Income tax expense	**12,955**	**194,397**

The Bank accounts for taxes based on the tax accounting maintained in accordance with the Belarusian tax legislation. In 2015, income tax rate for Bank BelVEB OJSC and its subsidiary Belvneshstrakh was 25% (2014: 18%). Income tax rate for subsidiaries International Energy Center and Vnesheconomstroy was 18% (2014: 18%).

(Millions of Belarusian rubles unless otherwise stated)

16. Taxation (continued)

The effective income tax rate differs from the statutory income tax rate. A reconciliation of the income tax expense based on the statutory rate with actual is as follows:

	2015	*2014*
Profit before tax	**354,828**	**478,743**
Statutory tax rate	25.00%	18.00%
Theoretical income tax expense at the statutory rate	**88,707**	**86,174**
Investment tax credits	(974)	(621)
Non-taxable income from securities	(91,450)	(47,598)
Non-taxable income	(4,324)	(2,384)
Income taxed at different rates	(1,799)	–
Effect of investment deduction	(3,225)	68
Non-deductible expenditures	46,240	72,749
Change in unrecognized deferred tax assets	(1,981)	958
Effect of tax rate change	–	14,676
Effect of statutory revaluation of property and equipment in compliance with legislation of the Republic of Belarus	(18,767)	(15,195)
Tax effect of other permanent differences	528	1,824
Effect of hyperinflation	–	83,746
Income tax expense	**12,955**	**194,397**

As of 31 December, deferred tax assets and liabilities and their movements for the respective years comprise:

	2015	*2014*
Tax effect of deductible temporary differences		
Property and equipment	21,590	1,144
Accruals	11,709	6,462
Amounts due to credit institutions	–	1,880
Derivative financial instruments	–	21
Loans to customers	106,984	21,044
Other	2	6
Deferred tax assets	**140,285**	**30,557**
Unrecognized deferred tax assets	(3,476)	(1,495)
Deferred tax asset, net	**136,809**	**29,062**
Tax effect of taxable temporary differences		
Accruals	(554)	(16,723)
Provisions for potential losses	(30,744)	(24,887)
Amounts due to credit institutions	(5,941)	–
Property and equipment, intangible assets and assets constructed for sale	(9,455)	(21,535)
Amounts due from credit institutions	(186)	(1,309)
Derivative financial instruments	(25)	(9,028)
Other	(54,947)	(20,887)
Deferred tax liabilities	**(101,852)**	**(94,369)**
Net position on deferred tax	**34,957**	**(65,307)**

Net position on deferred tax	*2015*	*2014*
At the beginning of the period	**65,307**	**(3,626)**
Recognized directly in the consolidated statement of profit or loss	(100,264)	68,427
Effect of hyperinflation	–	506
At the end of the period	**(34,957)**	**65,307**

As of 31 December 2015, Bank BelVEB OJSC recognized deferred tax asset in the amount of BYR 44,275 million. Subsidiaries Vnesheconomstroy and International Energy Center recognized deferred tax liabilities in the amount of BYR 6,723 million and BYR 2,595 million, respectively.

In addition, as of 31 December 2015, in connection with the revaluation of buildings at fair value the Bank recognized income tax in the amount of BYR 673 million, recorded in equity, and amortized deferred tax recognized in 2014 in connection with the revaluation of buildings in the amount of BYR 76 million.

(Millions of Belarusian rubles unless otherwise stated)

16. Taxation (continued)

As of 31 December 2014, a subsidiary International Energy Center recognized deferred tax asset in the amount of BYR 327 million. Bank BelVEB OJSC and its subsidiaries Vnesheconomstroy and Belvneshstrakh recognized deferred tax liabilities in the amount of BYR 52,413 million, BYR 11,334 million and BYR 1,887 million, respectively. In addition, as of 31 December 2014, in connection with the revaluation of buildings at fair value the Bank recognized income tax in the amount of BYR 3,648 million, recorded in equity, and amortized deferred tax recognized in 2013 in connection with the revaluation of buildings in the amount of BYR 35 million.

17. Other impairment and provisions

The movements in allowance for impairment of other assets were as follows:

	Other assets
31 December 2013	**7,553**
Provision	410
Write-off	(4)
Effect of hyperinflation	(1,054)
31 December 2014	**6,905**
Reversal	(4,073)
Write-off	(424)
31 December 2015	**2,408**

Allowance for impairment of assets is deducted from the carrying amount of the related assets.

18. Other assets and liabilities

Other assets comprise:

	2015	*2014*
Government grants	158,794	66,235
Settlements with customers	131,868	72,510
Prepaid expenses	91,142	100,180
Prepaid taxes other than income tax	61,282	50,446
Other accrued income	33,988	7,795
Property received in repayment of loans	14,193	2,284
Inventories	9,955	9,460
Re-insurer's share in unearned insurance premium reserves	6,895	6,640
Other	8,398	6,805
	516,515	**322,355**
Less: allowance for impairment of other assets (Note 17)	(2,408)	(6,905)
Other assets	**514,107**	**315,450**

Other liabilities comprise:

	2015	*2014*
Settlements related to non-banking activity	76,381	91,983
Provisions on insurance losses	58,459	50,071
Settlements with employees	36,753	33,408
Accrued expenses	34,395	16,215
Deferred income	11,381	4,297
Contributions to the Agency of Deposits Compensation	10,500	12,599
Amounts due to local authorities of foreign states	9,900	2,700
Taxes other than income tax	9,418	20,250
Payment for residential bonds	–	29,841
Other	6,626	19,182
Other liabilities	**253,813**	**280,546**

(Millions of Belarusian rubles unless otherwise stated)

19. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2015	*2014*
Time deposits and loans	11,956,691	9,530,167
Current accounts	561,524	174,788
Other accounts	123,911	96,924
Amounts due to credit institutions	**12,642,126**	**9,801,879**

As of 31 December 2015, time deposits and loans included cash received from the parent company in the amount of BYR 7,307,783 million (61.1% of time deposits and loans) (2014: BYR 5,133,270 million or 53.9% of time deposits and loans) for project financing in the Republic of Belarus.

As of 31 December 2015 and 2014, amounts due to credit institutions included into “Other accounts” are represented by guarantee deposits for transactions using the payment cards.

20. Amounts due to the National Bank of the Republic of Belarus

Amounts due to the National Bank of the Republic of Belarus comprise:

	2015	*2014*
Collateral loan (Note 31)	60,048	500,000
Import financing	1,500	–
Other	186	112
Amounts due to the National Bank of the Republic of Belarus	**61,734**	**500,112**

21. Amounts due to customers

Amounts due to customers comprise:

	2015	*2014*
Time deposits	11,873,757	7,138,024
Current accounts	2,591,975	1,633,558
Amounts due to customers	**14,465,732**	**8,771,582**
Held as security against letters of credit	**203,256**	**202,390**
Held as security against guarantees	**14,916**	**7,885**

As of 31 December 2015, amounts due to customers of BYR 3,262,142 million (23%) were due to the ten largest customers (2014: BYR 1,914,743 million, or 22%). Time deposits include deposits of individuals in the amount of BYR 6,624,565 million (2014: BYR 3,908,868 million).

Due to changes introduced to classification of bank deposits in November 2015, time and conditional deposit agreements are classified as irrevocable and revocable. Irrevocable agreements do not provide for early repayment of a deposit upon demand of a depositor. Early repayment of such deposits may be performed only with the Bank’s approval. For revocable agreements, the Bank is obliged to repay deposits of individuals within five days upon demand of a depositor in accordance with the Banking code of the Republic of Belarus. In case a time deposit is repaid upon demand of the depositor prior to maturity, the interest is paid based on the interest rate for demand deposits, unless otherwise specified in the agreement.

Amounts due to customers include accounts with the following types of customers:

	2015	*2014*
Individuals, other than employees	6,912,034	4,142,886
Private companies	5,413,852	3,700,301
State and budgetary organizations	1,842,755	737,149
Employees	297,091	191,246
Amounts due to customers	**14,465,732**	**8,771,582**

(Millions of Belarusian rubles unless otherwise stated)

21. Amounts due to customers (continued)

The category “State and budgetary organizations” includes only state and budgetary organizations of the Republic of Belarus. Foreign state enterprises are included in category “Private companies”.

An analysis of customer accounts by economic sector is as follows:

	2015	*2014*
Individuals	7,209,125	4,334,132
Industrial manufacturing	2,952,724	1,748,224
Trade	2,140,244	1,387,088
Government bodies	616,230	313,535
Real estate construction	460,086	238,257
Transport and communication	237,264	133,392
Other	850,059	616,954
Amounts due to customers	**14,465,732**	**8,771,582**

22. Debt securities issued

Debt securities issued are denominated in BYR and comprise:

	2015	*2014*
Domestic bonds	27,520	36,882
Debt securities issued	**27,520**	**36,882**

As of 31 December 2015 the interest rate on domestic bonds issued ranges from 29% to 31% per annum (2014: from 20% to 24%).

23. Subordinated debt

Subordinated debt comprises:

	2015	*2014*
Subordinated loans received from Vnesheconombank (Russia)	1,845,276	1,173,752
Subordinated loans	**1,845,276**	**1,173,752**

Subordinated loans comprise USD-denominated loans from the parent company maturing in 2021-2024.

24. Equity

Movements in shares issued, fully paid and outstanding were as follows:

	Number of shares (all ordinary)	*Nominal value (all ordinary)*	*Inflation adjustment*	*Total*
31 December 2013	11,740,750,000	1,174,075	3,556,496	**4,730,571**
31 December 2014	11,740,750,000	1,174,075	3,556,496	**4,730,571**
31 December 2015	11,740,750,000	1,174,075	3,556,496	**4,730,571**

The share capital of the Bank was contributed by the shareholders in Belarusian rubles and they are entitled to dividends and any capital distribution in Belarusian rubles. All shares are ordinary with the nominal value of BYR 100.

At the Shareholders’ Meeting in March 2015, the Bank declared dividends for the year ended 31 December 2014 in the amount of BYR 75,845 million.

(Millions of Belarusian rubles unless otherwise stated)

24. Equity (continued)

In accordance with the Belarusian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with Belarusian accounting legislation. As of 31 December 2015, the Bank had BYR 541,847 million of undistributed and unreserved earnings (2014: BYR 505,560 million).

Nature and purpose of other reserves

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

Unrealized gains/(losses) on investment securities available for sale. This reserve records changes in the fair value of investments available for sale.

Movements in other reserves

Movements in other reserves were as follows:

	Revaluation reserve for buildings	*Unrealized gains/(losses) on investment securities available for sale*	*Total*
1 January 2014	**185,199**	**3,707**	**188,906**
Revaluation of buildings	98,953	–	**98,953**
Tax effect of revaluation of buildings	(3,648)	–	**(3,648)**
Depreciation of revaluation reserve	(2,466)	–	**(2,466)**
Depreciation of income tax	35	–	**35**
Decrease in revaluation reserve due to disposal of property and equipment	(208)	–	**(208)**
Unrealized losses on investment securities available for sale	–	(2,219)	**(2,219)**
Realized losses on investment securities available for sale reclassified to the statement of profit or loss	–	(2,876)	**(2,876)**
31 December 2014	**277,865**	**(1,388)**	**276,477**
Revaluation of buildings	(32,743)	–	**(32,743)**
Tax effect of revaluation of buildings	(673)	–	**(673)**
Depreciation of revaluation reserve	(3,561)	–	**(3,561)**
Depreciation of income tax	76	–	**76**
Unrealized gains on investment securities available for sale	–	2,546	**2,546**
Realized gains on investment securities available for sale reclassified to the statement of profit or loss	–	(1,158)	**(1,158)**
31 December 2015	**240,964**	**–**	**240,964**

25. Commitments and contingencies

Operating environment

In 2015, the National Bank of the Republic of Belarus (the "NBRB" or the "National Bank") continued to follow a policy of stabilizing the financial market. On 9 January 2015, it canceled the exchange fee for the purchase of foreign currency by legal entities and individuals and devalued the Belarusian ruble against major foreign currencies (by 16.1%, 12.9% and 7.9% against the US dollar, euro and the Russian ruble, respectively) as compared with the official exchange rate as of 31 December 2014. On 9 January 2015, the National Bank increased the refinancing rate from 20% to 25%. To increase the effectiveness of the refinancing rate used as the instrument of financial and monetary policy, starting from January 2015, the NBRB was gradually decreasing rates for liquidity management instruments from 50% to 30%.

In February 2015, the Management Board of the NBRB decided to reduce the rate for the mandatory sale of foreign currency proceeds to 40%. In April 2015, the rate for the mandatory sale of foreign currency proceeds was decreased to 30%.

(Millions of Belarusian rubles unless otherwise stated)

25. Commitments and contingencies (continued)

Operating environment (continued)

On 1 June 2015, the National Bank changed the procedure for trade in foreign currency at the Belarusian Currency and Stock Exchange (the "BCSE"). In accordance with the new procedure, the stock exchange trades shall be performed in form of continuous double auction. Only banks and non-banking commercial financial organizations engaged in direct sale of currency to clients are allowed to purchase foreign currency. In addition, the NBRB has also changed the policy for establishing the foreign currency exchange rates, making the process more flexible and sensitive to market conditions.

In August 2015, devaluation of the Belarusian ruble (by 15%, 18.7% and 4% against the US dollar, euro and the Russian ruble, respectively) mainly resulted from deteriorating of macroeconomic environment, such as drop in oil prices, devaluation of the Russian ruble (currency of the major foreign trade partner) and significant demand for foreign currency among population due to rising expectations of devaluation.

By the end of 2015, both internal and external factors continued to influence the economic environment in the country. Annual devaluation of the national currency by the end of 2015 was 56.7%, 41.2% and 19% against the US dollar, euro and the Russian ruble, respectively. In 2015, the overall decrease in GDP amounted to 3.9% as compared to the growth by 1.7% in 2014. Such industries as construction, manufacturing and machine building declined significantly.

In 2015, Russia continued to provide financial support by extending government loans. In April 2015, the Russian Government granted RUB-denominated loan to the Republic of Belarus in the amount equivalent to USD 110 million maturing in 10 years. The funds were used for payment of interest under the Russian loan received in 2010. In July 2015, the Republic of Belarus received a long-term loan from the Russian Government in the amount equivalent to USD 760 million maturing in 10 years, including a 4-year grace period. The loan was issued in Russian rubles at the rate of the Central Bank of the Russian Federation effective at the date of the agreement and the liabilities will be accounted for in the US dollars. Interest on the loan will be accrued based on LIBOR for 6-month deposits in USD increased by margin calculated as the difference between return on the Russian eurobonds maturing in 7 years and the rate of USD-denominated swap maturing in 7 years. The attracted funds will be used for servicing and repayment of loans received by the Belarusian Government from Russia and the Eurasian Fund for Stabilization and Development. On 31 March 2015, the Government of the Republic of Belarus fully repaid the loan issued by the International Monetary Fund in the amount of USD 3.5 billion and launched negotiations on the new program for technical aid in the amount of USD 3 billion.

Inflation processes were managed by the NBRB and the inflation rate for 2015 was 12% (2014: 16.2%). Due to the reduction in the inflation rate for the past three years, IAS 29 ceased to be applied from 1 January 2015.

In April 2015, Moody's downgraded sovereign rating of the Republic of Belarus from B3 to Caa1 (negative) because of the increasing debt burden and uncertainty in the external support to the Republic of Belarus.

While management of the Bank believes that it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the results and financial position of the Bank and its counterparties. The degree of such impact on the Bank's consolidated financial statements is not currently to be determined.

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Taxation

Belarusian legislation and regulations regarding taxation and other operational matters, including currency exchange control and customs regulations, continue to evolve. Legislation and regulations are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are not unusual. At the same time, there is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future. Fiscal periods remain open to review by the authorities in respect of taxes for an indefinite period. These facts create tax risks in the Republic of Belarus substantially more significant than typically found in countries with more developed tax systems, although this risk diminishes with the passage of time.

It is not practical to determine the amount of unasserted claims, if any, that may arise or the likelihood of any unfavorable outcome.

(Millions of Belarusian rubles unless otherwise stated)

25. Commitments and contingencies (continued)

Taxation (continued)

As of 31 December 2015, management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

As of 31 December, the Bank's commitments and contingencies comprised the following:

	2015	*2014*
Credit related commitments		
Letters of credit	2,881,153	2,413,470
Undrawn loan commitments	2,217,561	1,501,716
Guarantees	3,651,898	2,362,419
	8,750,612	**6,277,605**
Operating lease commitments		
Not later than 1 year	11,670	10,492
Later than 1 year but not later than 5 years	7,628	9,026
	19,298	**19,518**
Less: provisions	–	–
Commitments and contingencies (before deducting collateral)	**8,769,910**	**6,297,123**
Less: cash held as security against letters of credit and guarantees	(218,172)	(210,275)
Commitments and contingencies	**8,551,738**	**6,086,848**

Many of the above credit related commitments may be terminated without being performed partially or in full. Therefore, they do not represent expected cash outflow. Majority of loan and credit line commitments are not absolute covenants of the Group.

Capital expenditures

As of 31 December 2015, Bank BelVEB OJSC has capital expenditure commitments in the amount of BYR 66,249 million, related to the construction of new and reconstruction of existing office buildings (2014: BYR 74,723 million).

26. Net fee and commission income

Net fee and commission income comprises:

	2015	*2014*
Settlement operations	441,714	398,714
Guarantees and letters of credit	220,759	208,815
Securities operations	435	716
Other	21,709	13,160
Fee and commission income	**684,617**	**621,405**
Settlement operations	(160,620)	(148,926)
Guarantees and letters of credit	(75,222)	(77,325)
Securities operations	(153)	(156)
Other	(2,206)	(2,720)
Fee and commission expense	**(238,201)**	**(229,127)**
Net fee and commission income	**446,416**	**392,278**

(Millions of Belarusian rubles unless otherwise stated)

27. Other income

	2015	*2014*
Income of subsidiaries from sales of goods/provision of services	144,157	157,658
Collection of debts previously written off	106,015	30,373
Penalties received	47,609	12,313
Income from generation and sale of electrical energy	23,095	41,240
Income from disposal of property and equipment and intangible assets	1,597	6,658
Income from revaluation of property and equipment	6,078	60,832
Income from lease of investment property	3,254	5,044
Insurance income	1,210	18,621
Sub-rental income	853	2,107
Dividends	84	62
Other	16,833	15,913
Total other income	**350,785**	**350,821**

28. Personnel and other operating expenses

Personnel expenses, other employee benefits and other operating expenses comprise:

	2015	*2014*
Salaries and bonuses	434,534	411,206
Social security costs	131,185	108,832
Personnel expenses	**565,719**	**520,038**
Data processing	96,345	74,539
Expenses related to current activities of subsidiaries	89,994	105,741
Office supplies, maintenance and rent	69,829	61,668
Insurance	57,160	48,412
Contributions to the Agency of Deposits Compensation	52,091	43,415
Loss on revaluation of property and equipment	24,396	1,666
Professional services	22,836	16,186
Security	17,565	17,364
Maintenance of property and equipment	17,373	13,100
Expenses on pension insurance	11,890	11,252
Expenses related to material assistance to retired employees	9,869	7,929
Consultancy and information costs	9,620	9,226
Movements in insurance reserves	8,388	3,958
Transportation of cash	8,098	7,677
Telecommunication services	7,874	6,226
Expenses on disposal of non-current assets held for sale	7,625	1,939
Transportation expenses	6,181	6,224
Charity	4,098	3,780
Contributions to trade union	3,500	3,595
Entertainment	2,228	2,400
Free of charge transfer of assets	980	5,024
Other	33,939	11,314
Other operating expenses	**561,879**	**462,635**

29. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing activity and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. The Bank is also subject to operating risks and other non-financial risks (reputation and strategic risks).

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Introduction (continued)

Risk management structure

The Supervisory Board is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Supervisory Board

Supervisory Board ensures the risk management system organization, controls the overall level of risk and the state of risk management system of the Bank, approves the limits system, states risk tolerance, risk-appetite, makes other decisions concerning risk management covering its terms of reference.

The Risk Committee of the Supervisory Board

The Risk Committee of the Supervisory Board provides the qualitative preparation of Supervisory Board decisions under the issues of organization and improvement of risk management system, submits the report to the Supervisory Board about risk management system position and the level of risk of the Bank together with recommendation under the management of the risk at least once a year.

Management Board

The Management Board is responsible for organizing the risk management framework and ensuring the Bank's compliance with relevant objectives and goals set by the Bank's Supervisory Board.

Chair of the Management Board

Chair of the Management Board reviews management reports on specific risks and makes respective managerial decisions.

Risk Management Officer

Risk management officer is responsible for the risk management system, timely identification, assessment and measures to limit the risks, controlling the risks level and the key risk indicators of the Bank.

Asset and Liability Management Committee

The Asset and Liability Management Committee of the Bank realizes current and long-run policy of the Bank in the asset and liability management field, including interest rates policy, liquidity management policy, and break-even policy of the Bank. Asset and Liability Management Committee develops the recommendations on liquidity risk management, market risks and interest rate risks of the bank portfolio.

The Superior Credit Committee

The Superior Credit Committee provides effective and immediate activities to negotiate credit policy of the Bank, makes a decision within its competence on carrying out active operations.

The Small Credit Committee

The Small Credit Committee makes a decision within its competence on carrying out active operation.

Risk Management Department

The Risk Management Department is responsible for independent assessment of banking risks together with methodological and analytical support of risk management process.

Treasury

Bank Treasury takes part in processes of managing liquidity risk, interest rates risk of the bank portfolio and currency risk.

The Audit Committee of the Supervisory Board

The Audit Committee of the Supervisory Board performs the overall management of internal control system, the Internal Audit Department of the Bank.

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Introduction (continued)

The Internal Audit Department

The Internal Audit Department assesses the effectiveness of the risk management system, including the verification of the completeness and correctness of the application of the banking risks methods and the process of the Bank risk management, proposes variants of increasing the effectiveness of the Bank risk management during the audit.
The Internal Audit Department informs the Risk Committee of the Supervisory Board, the Audit Committee of the Supervisory Board and the risk management department about the audit results.

Risk measurement and reporting systems

The Bank's risk assessment is performed by the Bank for each major type of risk.
Together with the standard evaluation methods regarding the determination of regulatory capital adequacy set by the National Bank of the Republic of Belarus and applied to credit, market, operational and liquidity risks, the Bank also uses the following methods of assessment:

- Value-at-Risk (VaR) (currency risk);
- Approach based on the internal credit ratings of the borrower, scoring (credit risk);
- Gap analysis, duration (interest rate risk of the bank portfolio);
- Gap analysis, ratio analysis, the method of analysis of expected cash (payment) flows (liquidity risk);
- Analysis of operational risk implementation facts per risk objects (operational risk).

The Bank performs stress-testing procedures of banking risks, which allow to estimate the potential impact of number of shocks, i.e. changes in risk factors representing exceptional but probable events on the Bank's financial performance.

Valuation techniques for every type of risks, including their composition and sources used in assessment for each of them, as well as stress-testing methodology, are specified in local normative documents of the Bank relating to management of different risk types.

Monitoring and controlling risks is primarily based on the limits established by the Bank. Such limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition the Bank monitors and estimates the overall risk bearing capacity in relation to the aggregate risk exposure across the basic risk types.

Information compiled from all the businesses is examined and processed in order to analyze, control and early identify the risks. This information is presented to the Management Board, appropriate Committees and to the heads of the departments according to the period defined by the separate local normative documents.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that all the Bank's departments have an access to extensive, necessary and up-to-date information.

In the reporting period the Bank developed and implemented the Methodology for complex risk assessment comprising procedure to measure the total relative level of risks accepted by the Bank.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to condition changes affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are managed accordingly.

29. Risk management (continued)

Credit risk

The Bank is subject to a credit risk, it means a risk of loss, failure to obtain the planned revenues because its customers, clients or counterparties failed to discharge their financial and other property obligations stated in contracts or by the legislation of the Republic of Belarus.

Credit risk is the most significant type of the risk for the Bank. Its management, as well as monitoring the quality of loan portfolio is given a special attention.

The Bank manages credit risk by:

- diversification of duties and responsibilities between representatives and executives bodies, committees, officials and Bank`s departments in sphere of the credit risk management;
- set-up of adequate and appropriate to interests of the Bank system of lending to legal entities and individual entrepreneurs, individuals, the limits setting system for transactions subject to credit risk;
- establishment the unified methodology of credit risk identification and assessment;
- realization of the interest rates policy, that allows to cover a loss and Bank's debt capital cost;
- implementation of qualitative and timely analysis of the state and dynamics of loan portfolio, secure functioning normatives, which characterize the level of credit risk;
- the implementation of stress-testing and identification the factors which influence the changes of credit risk level;
- formation of fulfillment of obligations during the active operations;
- creation of the regular and timely system of providing with the information about the level of credit risk to the Superior Credit Committee, the Management Board and the Supervisory Board.

The Bank has established the system of internal ratings of corporate clients, which provides a differentiated assessment of the probability of the debtors default based on the analysis of qualitative and quantitative credit risk factors, their impact on the debtor's ability to maintain and repay the liabilities.

Decisions on separate standard products for individuals are made based on the developed scoring model of individual solvency assessment, developed in the Bank.

To improve quality of the new credit products the Bank working further on the ratings and scoring models. For the purpose of improvement of the reliability and efficiency of the process of credit risk assessment the methods of calculation and assignment of the internal ratings for the legal entities has been developed by the Bank. The scoring card has been amended based on statistical analysis of the issued loans in order to improve the classifying ability and the efficiency of the scoring model.

As part of the activities to enhance credit risk management system, in the reporting period the Bank developed Methodology for assessment industry-specific credit risks.

The Bank controls credit risk by setting limits per borrower or group of related borrowers, concentration limits for the 20 largest corporate customers, for industries and others.

Concentration of credit risk limits are approved by the credit policy of the Bank and undergo regular review (at least once a year). Monitoring of these limits is made on a monthly basis as part of the preparation of management reports on the quality of the Bank's loan portfolio.

Covering accepted credit risk is carried out by formation of special allowances. The risk assessment is carried out by the Bank individually for each borrower on the basis of criteria of debtor's ability to meet its obligations, the quality and adequacy of submitted collateral, the number of renewals and duration of overdue debt. Risk Management Department controls the completeness and accuracy of judgment for the classification (reclassification) of assets and contingencies of the corporate clients by their risk groups.

For contingencies the Bank uses the same credit policy as it does for on-balance financial instruments, which is based on transaction approving procedures, procedures of using restricting risk limits, and monitoring procedures.

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Credit risk (continued)

Credit-related commitments risks

The Bank makes available to its customers guarantees, which may require that the Bank makes payments on their behalf. Such payments are collected from customers based on the terms of the concluded agreements. They expose the Bank to similar risks to loans and these are mitigated by the same control procedures and the risk control policy.

The carrying amount of the consolidated statement of financial position, including derivative financial instruments, excluding the effect of risk mitigation through the use of master netting and collateral agreements, most accurately reflects the maximum credit risk exposure for these lines.

Where financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

More detailed information on the maximum exposure to credit risk for each class of financial instrument can be found in the specific notes. The effect of collateral and other risk mitigation techniques are shown in Note 9.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The table below shows the credit quality by class of assets for loan-related lines in the consolidated statement of financial position, based on the Bank's credit rating system.

		Neither past due nor individually impaired			*Past due but not individually impaired*		
	Notes	*High grade 2015*	*Standard grade 2015*	*Sub-standard grade 2015*	*individually impaired 2015*	*Individually impaired 2015*	*Total 2015*
Cash and cash equivalents less cash on hand	6	–	2,656,671	–	–	–	**2,656,671**
Amounts due from credit institutions	7	–	477,887	–	–	–	**477,887**
Loans to customers	9						
Corporate lending		2,006,132	10,201,188	–	12,057	3,861,203	**16,080,580**
Small and medium business lending		1,737,339	749,082	–	39,213	4,025,986	**6,551,620**
Consumer lending		–	648,374	–	15,763	14,955	**679,092**
Mortgage lending		–	160,528	–	1,307	144	**161,979**
		3,743,471	**11,759,172**	**–**	**68,340**	**7,902,288**	**23,473,271**
Investment securities available for sale	10	–	5,109,104	–	–	–	**5,109,104**
Total		**3,743,471**	**20,002,834**	**–**	**68,340**	**7,902,288**	**31,716,933**

		Neither past due nor individually impaired			*Past due but not individually impaired*		
	Notes	*High grade 2014*	*Standard grade 2014*	*Sub-standard grade 2014*	*individually impaired 2014*	*Individually impaired 2014*	*Total 2014*
Cash and cash equivalents less cash on hand	6	–	1,559,365	–	–	–	**1,559,365**
Amounts due from credit institutions	7	–	298,516	–	–	–	**298,516**
Loans to customers	9						
Corporate lending		3,457,104	7,941,207	–	120,593	1,087,840	**12,606,744**
Small and medium business lending		1,943,941	2,325,737	–	99,910	280,089	**4,649,677**
Consumer lending		–	548,057	–	13,740	11,006	**572,803**
Mortgage lending		–	153,917	–	1,175	431	**155,523**
		5,401,045	**10,968,918**	**–**	**235,418**	**1,379,366**	**17,984,747**
Investment securities available for sale	10	–	2,663,106	–	–	–	**2,663,106**
Total		**5,401,045**	**15,489,905**	**–**	**235,418**	**1,379,366**	**22,505,734**

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Credit risk (continued)

In the tables above, loans to banks and customers of high grade are those having a minimal level of credit risk, normally with a credit rating either to sovereign level or very well collateralized. Other borrowers with good financial position and good debt service are included in the standard grade. Sub-standard grade comprises loans below standard grade but not individually impaired. For debt securities high grade is equivalent to Moody's Baa3 rating and above, standard –below Baa3 but above B3, sub-standard – below B3.

An analysis of past due loans, by age, is provided below. The majority of the past due loans are not considered to be individually impaired.

It is the Bank's policy to maintain accurate and consistent risk ratings across the loan portfolio. This facilitates focused management of the existing risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

Aging analysis of past due but not impaired loans per class of financial assets

	Less than 30 days 2015	*31 to 60 days 2015*	*61 to 90 days 2015*	*More than 90 days 2015*	*Total 2015*
Loans to customers					
Corporate lending	1,025	10,660	–	372	**12,057**
Mortgage lending	716	333	258	–	**1,307**
Consumer lending	10,870	4,893	–	–	**15,763**
Small and medium business lending	33,031	1,583	1,717	2,882	**39,213**
Total	**45,642**	**17,469**	**1,975**	**3,254**	**68,340**

	Less than 30 days 2014	*31 to 60 days 2014*	*61 to 90 days 2014*	*More than 90 days 2014*	*Total 2014*
Loans to customers					
Corporate lending	119,879	257	–	457	**120,593**
Mortgage lending	787	257	131	–	**1,175**
Consumer lending	10,373	1,683	1,622	62	**13,740**
Small and medium business lending	89,176	5,063	–	5,671	**99,910**
Total	**220,215**	**7,260**	**1,753**	**6,190**	**235,418**

See Note 9 for information with respect to the allowance for impairment of loans to customers.

Impairment assessment

The main considerations for the loan impairment assessment include:

- whether any payments of principal or interest are overdue by more than 60 days taken into account the materiality overdue amounts;
- there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

The Bank recognizes financial assets as impaired:

- loans, evaluated and individually impaired;
- Groups of financial assets collectively reserved under the collective historical loss rate of 51% or more.

Groups of loans collectively assessed and reserved for historical rate less than 51% are not considered as impaired.

Allowances are assessed both individually and collectively.

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Credit risk (continued)

Individually assessed allowances

The Bank determines the allowances appropriate for each individually significant loan or advance payment on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout, the availability of other financial support and the realizable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date or more often if unforeseen circumstances require more attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

While collective assessing the impairment of the portfolio is valued even though there is no yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been incurred and the time it will be identified as requiring an impairment allowance, and expected receipts and recoveries once impaired.

Financial guarantees and letters of credit are assessed and provision is made in a similar manner as for loans.

The geographical concentration of the Bank's financial assets and liabilities is set out below:

	2015				*2014*			
	Belarus	*OECD*	*CIS and other foreign banks*	*Total*	*Belarus*	*OECD*	*CIS and other foreign banks*	*Total*
Assets								
Cash and cash equivalents	1,830,376	1,291,904	345,802	**3,468,082**	1,812,490	183,853	108,393	**2,104,736**
Derivative financial assets	766	–	–	**766**	299	–	677	**976**
Amounts due from credit institutions	337,621	67,695	72,571	**477,887**	224,055	44,935	29,526	**298,516**
Loans to customers	21,630,626	–	–	**21,630,626**	17,204,147	–	–	**17,204,147**
Investment securities available for sale	5,110,369	315	–	**5,110,684**	2,666,866	315	–	**2,667,181**
Other financial assets	313,381	1,871	153	**315,405**	140,989	1,489	221	**142,699**
	29,223,139	**1,361,785**	**418,526**	**31,003,450**	**22,048,846**	**230,592**	**138,817**	**22,418,255**
Liabilities								
Amounts due to credit institutions	805,983	2,724,408	9,111,735	**12,642,126**	773,904	2,886,898	6,141,077	**9,801,879**
Amounts due to the National Bank of the Republic of Belarus	61,734	–	–	**61,734**	500,112	–	–	**500,112**
Derivative financial liabilities	–	–	128	**128**	38	–	–	**38**
Amounts due to customers	13,599,551	57,913	808,268	**14,465,732**	8,352,022	51,057	368,503	**8,771,582**
Debt securities issued	27,520	–	–	**27,520**	36,882	–	–	**36,882**
Other financial liabilities	154,211	5,431	13,107	**172,749**	136,964	15,506	9,036	**161,506**
Subordinated debt	–	–	1,845,276	**1,845,276**	–	–	1,173,752	**1,173,752**
	14,648,999	**2,787,752**	**11,778,514**	**29,215,265**	**9,799,922**	**2,953,461**	**7,692,368**	**20,445,751**
Net assets/(liabilities)	**14,574,140**	**(1,425,967)**	**(11,359,988)**	**1,788,185**	**12,248,924**	**(2,722,869)**	**(7,553,551)**	**1,972,504**

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the probability of the losses, failure to obtain the planned revenues due to the inability to ensure the timely performance of the obligations in full.

Liquidity risk management process includes identification, measurement (assessment) and stress testing, limitation, monitoring and control of the liquidity risk, a system of key early warning indicators, financing plans in crises, the disclosure of liquidity risk.

The Bank has developed a number of documents which regulate issues of liquidity risk management and liquidity position, define goals, objectives, principles and methods of management, the division of responsibility between departments and procedures of interaction between them on liquidity risk management and liquidity position.

The liquidity risk is managed and controlled by the Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board, the Asset and Liability Management Committee, the official responsible for risk management at the Bank, the Risk Management Department, the Bank Treasury, the Department of Operations in the Financial Markets, the Finance and Economic Department and the Internal Audit Department.

Bank performs daily monitoring of the implementation of regulations set by the National Bank of the Republic of Belarus, local liquidity risk limits, prepares a management report on liquidity risk. In addition, the Bank takes measures to comply with the liquidity ratios recommended by the National Bank of the Republic of Belarus calculated on the basis and with the frequency set by Basel III.

The Bank takes into account the interaction between the risk of funding liquidity and market liquidity risk, which it is exposed, and provides a comprehensive assessment of the liquidity risk that includes an analysis of the balance sheet structure, cash flow forecasting, in all material balance and off-balance positions and activities both under normal conditions and in stressful situations.

The Bank uses payment calendars to manage its current liquidity position. To monitor the risk of loss of liquidity, the Bank monitors the limits of liquidity deficit as well as the key indicators of liquidity risk.

The assets and liabilities formation is based on the principle of diversification of sources and destinations, the volume and terms of attraction and allocation. The main external sources of financing are the resources of the parent bank − the State Corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”.

Maintaining funding sources and increase the resource base of the Bank is provided by improving the quality of customer service, offering new products, providing more flexible conditions of deposit contracts.

The Bank maintains a sufficient liquidity to meet all the requirements of the National Bank of the Republic of Belarus and perform its obligations to clients timely.

The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on certain liquidity ratios established by the National Bank of the Republic of Belarus. As of 31 December, these ratios were as follows:

	Minimum value	***2015***	***2014***
“Current Liquidity Ratio” (assets receivable or realizable within 30 days/ liabilities repayable within 30 days)	Min. 70%	107%	90%
“Short-Term Liquidity Ratio” (assets receivable within a year / liabilities repayable within a year)	Min 1	3.2	1.4
“Quick Liquidity Ratio” (assets on demand/ liabilities on demand)	Min. 20%	153%	128%

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The tables below summarizes the maturity profile of the Bank's financial liabilities as of 31 December based on contractual undiscounted repayment obligations except gross settled derivatives which are shown by contractual maturity. Repayments which are subject to notice are treated as of notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay. The table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial liabilities As of 31 December 2015	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to credit institutions	1,556,839	3,532,610	9,607,656	687	**14,697,792**
Amounts due to the National Bank of the Republic of Belarus	61,734	–	–	–	**61,734**
Gross settled derivative financial instruments					
- Contractual amounts payable	35,746	–	–	–	**35,746**
- Contractual amounts receivable	(35,502)	–	–	–	**(35,502)**
Amounts due to customers	6,722,117	6,953,175	1,291,772	16,846	**14,983,910**
Debt securities issued	2,033	32,349	–	–	**34,382**
Other liabilities	102,526	34,448	15,849	8	**152,831**
Subordinated debt	–	92,152	467,161	2,134,360	**2,693,673**
Total undiscounted financial liabilities	**8,445,493**	**10,644,734**	**11,382,438**	**2,151,901**	**32,624,566**

Financial liabilities As of 31 December 2014	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to credit institutions	1,695,109	6,065,007	2,550,142	49,750	**10,360,008**
Amounts due to the National Bank of the Republic of Belarus	500,112	–	–	–	**500,112**
Gross settled derivative financial instruments					
- Contractual amounts payable	28,797	–	–	–	**28,797**
- Contractual amounts receivable	(28,759)	–	–	–	**(28,759)**
Amounts due to customers	4,115,791	3,475,316	1,512,308	95,154	**9,198,569**
Debt securities issued	9,768	28,986	216,603	–	**255,357**
Other liabilities	102,503	33,120	13,210	–	**148,833**
Subordinated debt	–	55,620	283,421	1,432,314	**1,771,355**
Total undiscounted financial liabilities	**6,423,321**	**9,658,049**	**4,575,684**	**1,577,218**	**22,234,272**

The table below shows the contractual maturity of the Bank's commitments and contingencies. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
2015	7,681,877	528,949	539,693	93	**8,750,612**
2014	5,100,742	629,472	547,391	–	**6,277,605**

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

The maturity analysis does not reflect the historical stability of current accounts and customer deposits. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in "less than three months" in the tables above.

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Market risk

Market risk is the risk of loss resulting from changes in value of on- and off-balance sheet positions related to the trade portfolio, foreign currency denominated positions and commodities due to changes in market interest rates, exchange rates, securities quotations, commodity prices and other factors.

The Bank is exposed to market risks due to the effect of general or specific market changes on its products. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate limits on the tolerable loss.

With the exception of foreign currency positions, the Bank has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Bank has developed a number of documents which in generally organizes risk management process.

Asset and Liability Committee determines process of resource attraction and placement based on monitoring of the corresponding sectors in the banking sector.

Treasury performs analysis of volume-time structure of the Bank's balance and interest rate levels in the context of risk management process. Risk Management Department performs independent assessment of the Bank's exposure to interest rate risk and stress testing of risk tolerance.

The following table demonstrates the sensitivity to a reasonable possible changes in interest rates, with all other variables held constant, of the Bank's consolidated statement of profit or loss.

The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as of 31 December. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets as of 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	***Increase in basis points 2015***	***Sensitivity of profit or loss 2015***	***Sensitivity of equity less effect on profit and loss 2015***
BYR	+500	126,700	–
USD	+50	(12,327)	25,546
EUR	+25	(1,885)	–

Currency	***Decrease in basis points 2015***	***Sensitivity of profit or loss 2015***	***Sensitivity of equity less effect on profit and loss 2015***
BYR	-500	(126,700)	–
USD	-12	2,958	(6,131)
EUR	-25	1,874	–

Currency	***Increase in basis points 2014***	***Sensitivity of profit or loss 2014***	***Sensitivity of equity less effect on profit and loss 2014***
BYR	+500	154,880	–
USD	+2	(439)	580
EUR	+7	(592)	–

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Market risk (continued)

Currency	*Decrease in basis points 2014*	*Sensitivity of profit or loss 2014*	*Sensitivity of equity less effect on profit and loss 2014*
BYR	-1000	(309,760)	–
USD	-2	439	(580)
EUR	-7	592	–

Currency risk

Currency risk is the risk of loss resulting from changes in value of on- and off-balance sheet positions nominated in foreign currency, due to the exchange rate changes. The Bank`s positions in precious metals as bank bars are also exposed to currency risk.

Currency risk management system of the Bank provides for the following:

- distributing the responsibilities of currency risk management;
- regulating the methods of assessment and stress-testing of currency risk;
- preparing daily management reports on currency risk;
- setting and controlling position and risk limits and other key indicators to restrict the level of risk.

The table below indicates the currencies to which the Bank had significant exposure as of 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the rouble, with all other variables held constant, on the consolidated statement of profit or loss. The effect on equity does not differ from the effect on the consolidated statement of profit or loss. All other variables are held constant. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	*Change in currency rate, % 2015*	*Effect on profit before tax 2015*	*Change in currency rate, % 2014*	*Effect on profit before tax 2014*
USD	+60	179,457	+49.31	86,623
EUR	+60	(92,638)	+36.08	(17,251)
RUB	+37.5	(12,353)	+27.38	(20,841)

Currency	*Change in currency rate, % 2015*	*Effect on profit before tax 2015*	*Change in currency rate, % 2014*	*Effect on profit before tax 2014*
USD	+10	29,909	-49.31	(86,623)
EUR	+10	(15,440)	-36.08	17,251
RUB	-27	10,257	-27.38	20,841

Prepayment risk

Prepayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The management of the Bank believes that the realization of the prepayment risk will not have a material effect on the Bank.

Operational risk

Operational risk is the risk of loss arising from inconsistency of the Bank’s local documents of execution banking transactions and operations to the legislation of the Republic of Belarus, or its breach by the employees, incompetence or errors of the Bank’s employees, discrepancy or failure the system used by the Bank including information systems, and as result of external factors.

(Millions of Belarusian rubles unless otherwise stated)

29. Risk management (continued)

Operational risk (continued)

The Bank has established and maintained a comprehensive centralized operational risk management system, which provides for an effective methodology of operational risk management, risk assessment, monitoring, control and restriction of operational risk in accordance with the local documents of the Bank.

Operational risk management functions are fixed at the level of the Bank's management, collegiate bodies, departments and responsible persons.

To manage the operational risk, the Bank is maintaining the database of realization of the facts of operational risk. Recommendations for optimization of the business process are generated using this database.

The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks.

30. Fair value measurement

For the purpose of fair value disclosures, the Bank has determined classes of assets and liabilities on the basis of their nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

		Fair value measurement using			
At 31 December 2015	***Date of valuation***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets measured at fair value					
Derivative financial instruments	31 December 2015	–	766	–	**766**
Investment securities available for sale	31 December 2015	–	5,109,104	1,580	**5,110,684**
Property and equipment – buildings	31 December 2015	–	–	776,767	**776,767**
		–	**5,109,870**	**778,347**	**5,888,217**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2015	3,468,082	–	–	**3,468,082**
Precious metals	31 December 2015	4,976	–	–	**4,976**
Amounts due from credit institutions	31 December 2015	–	477,652	–	**477,652**
Loans to customers	31 December 2015	–	21,307,415	–	**21,307,415**
		3,473,058	**21,785,067**	**–**	**25,258,125**

(Millions of Belarusian rubles unless otherwise stated)

30. Fair value measurement (continued)

At 31 December 2015	*Date of valuation*	*Fair value measurement using*			
		Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2015	–	128	–	**128**
		–	**128**	**–**	**128**
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2015	–	12,611,078	–	**12,611,078**
Amounts due to the National Bank of the Republic of Belarus	31 December 2015	–	61,734	–	**61,734**
Amounts due to customers	31 December 2015	–	14,500,119	–	**14,500,119**
Debt securities issued	31 December 2015	–	28,685	–	**28,685**
Subordinated debt	31 December 2015	–	1,849,017	–	**1,849,017**
		–	**29,050,633**	**–**	**29,050,633**

At 31 December 2014	*Date of valuation*	*Fair value measurement using*			
		Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets measured at fair value					
Derivative financial instruments	31 December 2014	–	976	–	**976**
Investment securities available for sale	31 December 2014	29,754	2,633,352	4,075	**2,667,181**
Property and equipment – buildings	31 December 2014	–	–	816,845	**816,845**
		29,754	**2,634,328**	**820,920**	**3,485,002**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2014	1,683,824	420,912	–	**2,104,736**
Precious metals	31 December 2014	4,183	–	–	**4,183**
Amounts due from credit institutions	31 December 2014	–	296,962	–	**296,962**
Loans to customers	31 December 2014	–	16,883,775	–	**16,883,775**
		1,688,007	**17,601,649**	**–**	**19,289,656**

(Millions of Belarusian rubles unless otherwise stated)

30. Fair value measurement (continued)

At 31 December 2014	*Date of valuation*	*Fair value measurement using*			
		Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2014	–	38	–	**38**
		–	**38**	**–**	**38**
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2014	–	9,889,924	–	**9,889,924**
Amounts due to the National Bank of the Republic of Belarus	31 December 2014	–	500,131	–	**500,131**
Amounts due to customers	31 December 2014	–	8,800,037	–	**8,800,037**
Debt securities issued	31 December 2014	–	38,027	–	**38,027**
Subordinated debt	31 December 2014	–	1,194,501	–	**1,194,501**
		–	**20,422,620**	**–**	**20,422,620**

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying amount 2015	*Fair value 2015*	*Unrecognized loss 2015*	*Carrying amount 2014*	*Fair value 2014*	*Unrecognized loss 2014*
Financial assets						
Cash and cash equivalents	3,468,082	3,468,082	–	2,104,736	2,104,736	–
Precious metals	4,976	4,976	–	4,183	4,183	–
Amounts due from credit institutions	477,887	477,652	(235)	298,516	296,962	(1,554)
Loans to customers	21,630,626	21,307,415	(323,211)	17,204,147	16,883,775	(320,372)
Financial liabilities						
Amounts due to credit institutions	12,642,126	12,611,078	31,048	9,801,879	9,889,924	(88,045)
Amounts due to the National Bank of the Republic of Belarus	61,734	61,734	–	500,112	500,131	(19)
Amounts due to customers	14,465,732	14,500,119	(34,387)	8,771,582	8,800,037	(28,455)
Debt securities issued	27,520	28,685	(1,165)	36,882	38,027	(1,145)
Subordinated debt	1,845,276	1,849,017	(3,741)	1,173,752	1,194,501	(20,749)
Total unrecognized change in unrealized fair value			**(331,691)**			**(460,339)**

(Millions of Belarusian rubles unless otherwise stated)

30. Fair value measurement (continued)

Valuation techniques and assumptions

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

Assets for which fair value approximates their carrying amount

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and current (settlement) accounts without a specific maturity.

Financial assets and financial liabilities carried at amortized cost

Fair value of quoted bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the National Bank of the Republic of Belarus and credit institutions and other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Property and equipment – buildings

Fair value of the properties was determined using the market comparable method. This means that the valuation performed by the appraiser is based on the prices of market transactions significantly adjusted with regard to differences in nature, location or condition of specific real estate item. As of the valuation date, 31 December 2015, the properties' fair value is based on valuations performed by an accredited independent appraiser.

Movements in Level 3 assets and liabilities at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets and liabilities which are recorded at fair value:

	At 1 January 2015	*Gains recognized in the consolidated statement of profit or loss*	*Gains recognized in other comprehensive income*	*Additions*	*Disposals*	*Depreciation charge*	*At 31 December 2015*
Assets							
Investment securities available for sale	4,075				(2,495)		1,580
Property and equipment – buildings	816,845	(18,318)	(32,743)	20,612	–	(9,629)	776,767
Total Level 3 assets	**820,920**	**(18,318)**	**(32,743)**	**20,612**	**(2,495)**	**(9,629)**	**778,347**
Total Level 3 liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Level 3	**820,920**	**(18,318)**	**(32,743)**	**20,612**	**(2,495)**	**(9,629)**	**778,347**

During the year ended 31 December 2015, the Bank did not transfer financial instruments between levels of the fair value hierarchy.

	At 1 January 2014	*Gains recognized in the consolidated statement of profit or loss*	*Gains recognized in other comprehensive income*	*Additions*	*Disposals*	*Depreciation charge*	*At 31 December 2014*
Assets							
Investment securities available for sale	1,580			2,495			4,075
Property and equipment – buildings	629,167	59,166	98,745	56,150	(18,884)	(7,499)	816,845
Total Level 3 assets	**630,747**	**59,166**	**98,745**	**58,645**	**(18,884)**	**(7,499)**	**820,920**
Total Level 3 liabilities	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total Level 3	**630,747**	**59,166**	**98,745**	**58,645**	**(18,884)**	**(7,499)**	**820,920**

(Millions of Belarusian rubles unless otherwise stated)

30. Fair value measurement (continued)

Movements in Level 3 assets and liabilities at fair value (continued)

During the year ended 31 December 2014, the Bank did not transfer financial instruments between levels of the fair value hierarchy.

Gains or losses on Level 3 financial instruments included in the consolidated profit or loss for the period comprise:

	2015			*2014*		
	Realized gains/(losses)	*Unrealized gains/(losses)*	*Total*	*Realized gains/(losses)*	*Unrealized gains/(losses)*	*Total*
Total gains/(losses) recorded in the consolidated statement of profit or loss	–	(18,318)	**(18,318)**	–	59,166	**59,166**

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes to key assumptions

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

At 31 December 2015	*Carrying amount*	*Valuation technique*	*Unobservable input*	*Range (weighted average)*
Investment securities available for sale				
Equity securities	1,580	Cost is determined as the cost of investments using appropriate indices		
Property and equipment				
Buildings	776,767	Cost is determined by an appraiser using the method of comparing sales and capitalization rate of return		
	778,347			

The impact of possible alternative assumptions on measuring the fair value of Level 3 instruments is insignificant.

(Millions of Belarusian rubles unless otherwise stated)

31. Financial instruments pledged as collateral

Transferred financial instruments that are not derecognized in their entirety

The following table provides a summary of financial instruments which have been transferred in such a way that part or all of the transferred financial instruments do not qualify for derecognition:

	Transferred financial instrument	*Available-for-sale government debt securities 2015*	*Total 2015*
Carrying amount of assets	Bonds	64,620	**64,620**
Total		**64,620**	**64,620**
Carrying amount of associated liabilities	Collateral loan	60,048	**60,048**
Total		**60,048**	**60,048**
Net position		**4,572**	**4,572**

	Transferred financial instrument	*Available-for-sale government debt securities 2014*	*Total 2014*
Carrying amount of assets	Bonds	540,425	**540,425**
Total		**540,425**	**540,425**
Carrying amount of associated liabilities	Collateral loan	500,000	**500,000**
Total		**500,000**	**500,000**
Net position		**40,425**	**40,425**

Assets pledged as collateral

The Bank pledges assets recognized in the consolidated statement of financial position as part of ongoing operations with investment securities available for sale that are conducted under regular terms and conditions applying to such agreements. The Bank transferred 343 bonds of the Ministry of Finance of the Republic of Belarus in the amount of BYR 64,620 million as collateral under collateral loan of BYR 60,048 million, obtained from the National Bank of the Republic of Belarus (2014: 448 bonds in the amount of BYR 540,425 million as collateral under collateral loan of BYR 500,000 million).

(Millions of Belarusian rubles unless otherwise stated)

32. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 29 “Risk management” for the Bank’s contractual undiscounted repayment obligations.

	On demand and within 1 month	*1 to 6 months*	*6 to 12 months*	*Total within 1 year*	*1 to 3 years*	*3 to 5 years*	*More than 5 years*	*Total more than 1 year*	*No stated maturity*	*Past due*	*Total*
At 31 December 2015											
Assets											
Cash and cash equivalents	3,468,082	–	–	**3,468,082**	–	–	–	**–**	–	–	**3,468,082**
Precious metals	4,976	–	–	**4,976**	–	–	–	**–**	–	–	**4,976**
Derivative financial assets	766	–	–	**766**	–	–	–	**–**	–	–	**766**
Amounts due from credit institutions	403,435	41,662	27,760	**472,857**	5,030	–	–	**5,030**	–	–	**477,887**
Loans to customers	1,553,541	6,640,887	4,321,630	**12,516,058**	6,260,435	1,668,418	625,946	**8,554,799**	–	559,769	**21,630,626**
Investment securities available for sale	61,358	1,616,194	1,671,210	**3,348,762**	–	1,641,500	118,842	**1,760,342**	1,580	–	**5,110,684**
Investment in associate	–	–	–	**–**	–	–	–	**–**	39,182	–	**39,182**
Property and equipment	–	–	–	**–**	–	–	–	**–**	1,464,915	–	**1,464,915**
Assets constructed for sale	184,852	–	–	**184,852**	–	–	–	**–**	–	–	**184,852**
Investment property	–	–	–	**–**	–	–	–	**–**	41,454	–	**41,454**
Intangible assets	–	–	–	**–**	–	–	–	**–**	304,535	–	**304,535**
Income tax assets:											
- current income tax asset	37,647	2,136	–	**39,783**	–	–	–	**–**	–	–	**39,783**
- deferred income tax assets	–	–	–	**–**	–	–	–	**–**	44,275	–	**44,275**
Other assets	97,790	76,817	100,344	**274,951**	105,367	33,967	8,675	**148,009**	52,632	38,515	**514,107**
Total assets	**5,812,447**	**8,377,696**	**6,120,944**	**20,311,087**	**6,370,832**	**3,343,885**	**753,463**	**10,468,180**	**1,948,573**	**598,284**	**33,326,124**
Liabilities											
Amounts due to credit institutions	1,792,707	1,577,480	1,864,844	**5,235,031**	3,030,362	4,376,052	681	**7,407,095**	–	–	**12,642,126**
Amounts due to the National Bank of the Republic of Belarus	60,234	1,500	–	**61,734**	–	–	–	**–**	–	–	**61,734**
Derivative financial liabilities	128	–	–	**128**	–	–	–	**–**	–	–	**128**
Amounts due to customers	4,527,812	3,861,375	4,860,024	**13,249,211**	1,100,537	108,975	7,009	**1,216,521**	–	–	**14,465,732**
Debt securities issued	40	50	27,430	**27,520**	–	–	–	**–**	–	–	**27,520**
Income tax liabilities:											
- current income tax liabilities	–	2,252	–	**2,252**	–	–	–	**–**	–	–	**2,252**
- deferred income tax liabilities	–	–	–	**–**	–	–	–	**–**	9,318	–	**9,318**
Other liabilities	101,499	45,250	26,921	**173,670**	19,637	1,372	8	**21,017**	59,112	14	**253,813**
Subordinated debt	–	18,160	33,166	**51,326**	57,998	53,934	1,682,018	**1,793,950**	–	–	**1,845,276**
Total liabilities	**6,482,420**	**5,506,067**	**6,812,385**	**18,800,872**	**4,208,534**	**4,540,333**	**1,689,716**	**10,438,583**	**68,430**	**14**	**29,307,899**
Net position	**(669,973)**	**2,871,629**	**(691,441)**	**1,510,215**	**2,162,298**	**(1,196,448)**	**(936,253)**	**29,597**	**1,880,143**	**598,270**	**4,018,225**

(Millions of Belarusian rubles unless otherwise stated)

32. Maturity analysis of assets and liabilities (continued)

	On demand and within 1 month	*1 to 6 months*	*6 to 12 months*	*Total within 1 year*	*1 to 3 years*	*3 to 5 years*	*More than 5 years*	*Total more than 1 year*	*No stated maturity*	*Past due*	*Total*
At 31 December 2014											
Assets											
Cash and cash equivalents	2,104,736	–	–	**2,104,736**	–	–	–	**–**	–	–	**2,104,736**
Precious metals	4,183	–	–	**4,183**	–	–	–	**–**	–	–	**4,183**
Derivative financial assets	976	–	–	**976**	–	–	–	**–**	–	–	**976**
Amounts due from credit institutions	215,981	40,486	36,132	**292,599**	5,917	–	–	**5,917**	–	–	**298,516**
Loans to customers	2,556,285	5,421,730	3,974,576	**11,952,591**	3,476,220	1,352,673	422,663	**5,251,556**	–	–	**17,204,147**
Investment securities available for sale	13,060	713,676	999,509	**1,726,245**	936,861	–	–	**936,861**	4,075	–	**2,667,181**
Investment in associate	–	–	–	**–**	–	–	–	**–**	41,808	–	**41,808**
Property and equipment	–	–	–	**–**	–	–	–	**–**	1,292,580	–	**1,292,580**
Assets constructed for sale	240,292	–	–	**240,292**	–	–	–	**–**	–	–	**240,292**
Investment property	–	–	–	**–**	–	–	–	**–**	37,922	–	**37,922**
Intangible assets	–	–	–	**–**	–	–	–	**–**	233,422	–	**233,422**
Income tax assets:											
- current income tax asset	–	13	–	**13**	–	–	–	**–**	–	–	**13**
- deferred income tax assets	–	–	–	**–**	–	–	–	**–**	327	–	**327**
Other assets	76,303	48,937	53,485	**178,725**	56,668	30,791	5,619	**93,078**	32,233	11,414	**315,450**
Total assets	**5,211,816**	**6,224,842**	**5,063,702**	**16,500,360**	**4,475,666**	**1,383,464**	**428,282**	**6,287,412**	**1,642,367**	**11,414**	**24,441,553**
Liabilities											
Amounts due to credit institutions	1,241,021	1,354,189	4,819,958	**7,415,168**	1,884,632	452,702	49,377	**2,386,711**	–	–	**9,801,879**
Amounts due to the National Bank of the Republic of Belarus	500,112	–	–	**500,112**	–	–	–	**–**	–	–	**500,112**
Derivative financial liabilities	38	–	–	**38**	–	–	–	**–**	–	–	**38**
Amounts due to customers	3,300,350	1,576,419	2,479,224	**7,355,993**	1,287,381	124,816	3,392	**1,415,589**	–	–	**8,771,582**
Debt securities issued	–	552	–	**552**	36,330	–	–	**36,330**	–	–	**36,882**
Income tax liabilities:											
- current income tax liabilities	–	25,789	–	**25,789**	–	–	–	**–**	–	–	**25,789**
- deferred income tax liabilities	–	–	–	**–**	–	–	–	**–**	65,634	–	**65,634**
Other liabilities	218,805	29,508	18,465	**266,778**	10,500	2,711	–	**13,211**	557	–	**280,546**
Subordinated debt	–	11,371	20,338	**31,709**	34,876	34,060	1,073,107	**1,142,043**	–	–	**1,173,752**
Total liabilities	**5,260,326**	**2,997,828**	**7,337,985**	**15,596,139**	**3,253,719**	**614,289**	**1,125,876**	**4,993,884**	**66,191**	**–**	**20,656,214**
Net position	(48,510)	3,227,014	(2,274,283)	904,221	1,221,947	769,175	(697,594)	1,293,528	1,576,176	11,414	3,785,339

33. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not carry out. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

Transactions with entities under common control of the Russian Federation, except for Vnesheconombank group of companies (Russian Federation)

In the ordinary course of business, the Bank effects transactions with the entities that are ultimately controlled by the Russian Government. The balances of transactions with such entities at the reporting date comprised balances on correspondent accounts and loans from credit institutions. During the reporting period and at the reporting date, there were no individually or collectively significant transactions with such entities (in the amount exceeding RUB 1 billion).

(Millions of Belarusian rubles unless otherwise stated)

33. Related party disclosures (continued)

Transactions with other related parties, including Vnesheconombank group of companies (Russian Federation)

The outstanding balances of transactions with other related parties at the end of the reporting period are as follows:

	2015					*2014*				
	Parent	*Entities under common control*	*Associates*	*Key management personnel*	*Other related parties*	*Parent*	*Entities under common control*	*Associates*	*Key management personnel*	*Other related parties*
Cash and cash equivalents	16,293	196,454	–	–	196,613	11,448	–	–	–	44,978
Loans outstanding at 1 January	**–**	**–**	**873**	**3,530**	**–**	**–**	**–**	**2,221**	**6,593**	**–**
Loans issued during the year	–	558,337	–	2,174	4,857,721	–	3,006,764	14,048	2,448	1,630,290
Loans repaid during the year	–	(557,824)	(921)	(1,982)	(4,865,186)	–	(3,016,966)	(15,305)	(2,066)	(1,626,993)
Other movements	–	(513)	48	938	7,465	–	9,925	433	(2,512)	(2,941)
Effect of hyperinflation	–	–	–	–	–	–	277	(506)	(933)	(356)
Loans outstanding at 31 December	**–**	**–**	**–**	**4,660**	**–**	**–**	**–**	**891**	**3,530**	**–**
Less: allowance for impairment at 31 December	–	–	–	(1)	–	–	–	(18)	–	–
Loans outstanding at 31 December, net	**–**	**–**	**–**	**4,659**	**–**	**–**	**–**	**873**	**3,530**	**–**

	2015					*2014*				
	Parent	*Entities under common control*	*Associates*	*Key management personnel*	*Other related parties*	*Parent*	*Entities under common control*	*Associates*	*Key management personnel*	*Other related parties*
Amounts due to credit institutions at 1 January	**5,133,270**	**220,881**	**–**	**–**	**597,760**	**5,701,322**	**254,726**	**–**	**–**	**887,673**
Amounts due to credit institutions received during the year	1,936,787	22,210,176	–	–	1,326,698	4,699,350	9,978,318	–	–	1,678,572
Amounts due to credit institutions repaid during the year	(2,143,112)	(22,385,361)	–	–	(1,066,893)	(5,097,749)	(10,618,991)	–	–	(1,990,972)
Other movements	2,380,838	343,199	–	–	316,296	473,188	589,128	–	–	214,725
Effect of hyperinflation	–	–	–	–	–	(642,841)	17,700	–	–	(192,238)
Amounts due to credit institutions at 31 December	**7,307,783**	**388,895**	**–**	**–**	**1,173,861**	**5,133,270**	**220,881**	**–**	**–**	**597,760**
Subordinated debt at 1 January	**1,173,752**	**–**	**–**	**–**	**–**	**921,472**	**–**	**–**	**–**	**–**
Subordinated debt accrued during the year	–	–	–	–	–	162,128	–	–	–	–
Subordinated debt repaid during the year	–	–	–	–	–	–	–	–	–	–
Other movements	671,524	–	–	–	–	218,754	–	–	–	–
Effect of hyperinflation	–	–	–	–	–	(128,602)	–	–	–	–
Subordinated debt at 31 December	**1,845,276**	**–**	**–**	**–**	**–**	**1,173,752**	**–**	**–**	**–**	**–**
Deposits at 1 January	**–**	**725,050**	**–**	**23,900**	**–**	**–**	**762,925**	**–**	**24,708**	**–**
Deposits received during the year	–	449,250	–	85,453	–	–	–	–	91,551	–
Deposits repaid during the year	–	(715,797)	–	(79,363)	–	–	–	–	(86,076)	–
Other movements	–	318,761	–	11,575	–	–	68,600	–	(2,723)	–
Effect of hyperinflation	–	–	–	–	–	–	(106,475)	–	(3,560)	–
Deposits at 31 December	**–**	**777,264**	**–**	**41,565**	**–**	**–**	**725,050**	**–**	**23,900**	**–**
Settlement and current accounts at 31 December	**–**	**–**	**13**	**1,469**	**169**	**–**	**–**	**43**	**1,208**	**–**
Commitments and guarantees issued	–	–	–	–	–	–	–	–	691	–

(Millions of Belarusian rubles unless otherwise stated)

33. Related party disclosures (continued)

Income and expenses arising from related party transactions during the reporting period are as follows:

	For the year ended 31 December									
	2015					*2014*				
	Parent	*Entities under common control*	*Associates*	*Key management personnel*	*Other related parties*	*Parent*	*Entities under common control*	*Associates*	*Key management personnel*	*Other related parties*
Interest income on loans	27	3,866	–	667	5,045	3	883	44	711	2,074
Interest expense on deposits	(614,191)	(92,141)	–	(1,542)	(61,495)	(407,938)	(75,354)	–	(3,020)	(44,831)
Fee and commission income	32	–	11	38	107	1	–	40	44	135
Fee and commission expense	(48,380)	–	–	–	(2,928)	(55,512)	–	–	–	(6,271)
Income from derivative financial instruments	–	5,245	–	–	6,084	–	88	–	–	329
Expenses from derivative financial instruments	–	(3,503)	–	–	(1,459)	–	(2,034)	–	–	(677)

Compensation to key management personnel comprises the following:

	2015	*2014*
Salaries and other short-term employee benefits	30,360	40,400
Social security costs	645	532
Mandatory contributions to the pension fund	3,010	2,481
Total compensation to key management personnel	**34,015**	**43,413**

34. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, principals, ratios established by the Basel Capital Accord 1988 and ratios used by the NBRB in supervising the Bank.

During 2015, the Bank had complied in full with all of its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

(Millions of Belarusian rubles unless otherwise stated)

34. Capital adequacy (continued)

NBRB capital adequacy ratio

The National Bank of the Republic of Belarus requires that the capital adequacy ratio of banks should be maintained at the level of 10% of risk-weighted assets computed based on BAS. As of 31 December 2015 and 2014, the Bank's capital adequacy ratio on this basis was as follows:

	2015	***2014***
Main capital	2,568,933	2,183,154
Additional paid-in capital	2,270,925	2,091,788
Deductions from capital	(83,731)	(60,398)
Total capital	**4,756,127**	**4,214,544**
Risk-weighted assets	**24,533,761**	**18,761,799**
Capital adequacy ratio	15.0%	17.2%

Capital adequacy ratio under Basel Capital Accord 1988

As of 31 December 2015 and 2014, the Bank's capital adequacy ratio computed in accordance with Basel Capital Accord 1988, taking into account subsequent amendments relating to the incorporation of market risks, comprised:

	2015	***2014***
Tier 1 capital	3,777,261	3,508,862
Tier 2 capital	2,086,240	1,450,229
Total capital	**5,863,501**	**4,959,091**
Risk weighted assets	**39,346,266**	**28,531,961**
Tier 1 capital adequacy ratio	9.6%	12.3%
Total capital adequacy ratio	14.9%	17.4%

35. Events after the reporting period

On 26 February 2016, the international rating agency Fitch Ratings assigned the B- long-term sovereign credit rating and the B short-term credit rating with a "stable" outlook to the Republic of Belarus.

The Government of the Republic of Belarus is holding negotiations with the International Monetary Fund to borrow USD 3 billion under the Extended Fund Facility at the interest rate of 2.28% for the period of 10 years. In addition, the Government of the Republic of Belarus is holding negotiations with the Eurasian Fund for Stabilization and Development (EFSD) with a view to receive a loan of USD 2 billion.

Starting from 1 July 2016, the official currency unit of the Republic of Belarus will be redenominated by way of replacing currently circulating banknotes at the conversion rate of 10,000:1.