

OJSC "PARITETBANK

Financial Statements

For the year ended 31 December 2014
including Independent Auditors' Report

Independent Auditors' Report

To the Shareholders of OJSC "Paritetbank"

We have audited the accompanying financial statements of OJSC "Paritetbank" ("the Bank"), which comprise the statement of financial position as at 31 December 2014, and the statements of profit or loss and comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

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

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

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

Opinion

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

Emphasis of Matter

Without qualifying our opinion, we draw attention to the fact that as described in Note 2, in 2013 and 2014 the economy of the Republic of Belarus was classified as a hyperinflationary economy under International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29). The functional currency of the Bank is Belarusian Ruble and accordingly the financial statements for the year ended 31 December 2014, including corresponding amounts, have been adjusted in accordance with IAS 29.

Other Matter

The financial statements of OJSC "Paritetbank" as at and for the year ended 31 December 2013 were audited by other auditors whose report dated 18 April 2014 expressed an unmodified opinion on those statements.

Irina Vereschagina
Partner
KPMG LLC
Minsk, Belarus
16 march 2015



OJSC "PARITETBANK"

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2014 *(in millions of Belarusian rubles)*

	Note	31 December 2014	31 December 2013
ASSETS:			
Cash and cash equivalents	5	211,822	311,034
Derivative financial assets	6	216,731	203,780
Amounts due from credit institutions	7	115,727	10,589
Loans to customers	8	686,952	869,280
Securities available for sale	9	530,090	57,399
Securities held to maturity	9	10,752	-
Non-current assets held for sale	10	8,296	7,530
Current income tax assets		374	-
Property and equipment	11	102,466	102,812
Intangible assets	12	4,532	3,355
Deferred income tax assets	13	3,907	11,674
Other assets	14	15,362	7,831
TOTAL ASSETS		1,907,011	1,585,284
LIABILITIES AND EQUITY			
LIABILITIES:			
Derivative financial liabilities	6	1,174	153
Amounts due to credit institutions	15	224,002	120,697
Amounts due to customers	16	992,904	896,447
Debt securities issued	17	59,055	-
Current income tax liabilities		-	4,401
Other liabilities	14	107,993	8,374
TOTAL LIABILITIES		1,385,128	1,030,072
EQUITY:			
Share capital	19	1,204,924	1,204,924
Treasury shares		(1,362)	(1,362)
Accumulated loss		(681,679)	(648,350)
TOTAL EQUITY		521,883	555,212
TOTAL LIABILITIES AND EQUITY		1,907,011	1,585,284

Signed and authorized for issue on behalf of the Management Board of OJSC "PARITETBANK"

Chairman of the Management Board
A.S. Brightelev
16 March 2015
Minsk



Chief Accountant
I.B. Safronova
16 March 2015
Minsk

OJSC "PARITETBANK"

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2014 (in millions of Belarusian rubles)

	<u>Note</u>	2014	2013
INTEREST INCOME			
Loans to customers		235,216	227,087
Amounts due from credit institutions		13,749	13,191
Securitiesheldtomaturity		226	
Securitiesavailableforsale		56,689	10,430
INTEREST EXPENSE			
Amounts due to customers		(94,222)	(87,355)
Amounts due to credit institutions		(30,678)	(18,974)
Debtsecuritiesissued		(6,648)	(1,042)
NET INTEREST INCOME		174,332	143,337
Allowance for loan impairment	8	(78,791)	(5,522)
NETINTERESTIMCOMEAFTERALLOWANCEFORLOANIMP AIRMENT		95,541	137,815
Net fee and commission income	21	21,546	26,593
Net gains/(losses) from securities available-for-sale		3,036	(917)
Net gains/(losses) from foreign currency transactions:			
- dealing		(2,507)	11,911
- translation differences		(25,762)	(32,962)
Net gains from derivative financial instruments		43,472	30,420
Other income	22	18,471	7,471
NON-INTEREST INCOME		58,256	42,516
Personnel expenses	23	(55,632)	(59,979)
Depreciation and amortization	11, 12	(8,749)	(10,003)
Other operating expenses	23	(44,784)	(53,214)
Otherimpairmentandprovisions		192	706
NON-INTEREST EXPENSE		(108,973)	(122,490)
PROFIT BEFORE INCOME TAX EXPENSE AND LOSS ON NET MONETARY POSITION		44,824	57,841
Loss on net monetary position resulting from hyperinflation	18	(64,494)	(36,860)
(LOSS)/PROFITBEFORE INCOME TAX EXPENSE AND AFTER LOSS ON NET MONETARY POSITION		(19,670)	20,981
Income tax benefit/(expense)	13	(6,617)	1,729
(LOSS)/PROFIT FOR THE YEAR		(26,287)	22,710

Signed and authorized for issue on behalf of the Management Board of OJSC "PARITETBANK"

Chairman of the Management Board
A.S. Brightelev
16 March 2015
Minsk



Chief Accountant
I.B. Safronova
16 March 2015
Minsk

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16 March 2015
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OJSC "PARITETBANK"

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2014 (in millions of Belarusian rubles)

	Note	2014	2013
(LOSS)/PROFIT FOR THE YEAR		<u>(26,287)</u>	22,710
OTHER COMPREHENSIVE INCOME			
Comprehensive income transferred to the statement of profit or loss upon disposal of securities available-for-sale			916
Change in fair value of securities available-for-sale			277
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods			<u>1,193</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		<u>(26,287)</u>	<u>23,903</u>

OJSC "PARITETBANK"

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014 (in millions of Belarusian rubles)

	Notes	Share capital	Treasury shares	Accumulated	Fair value revaluation reserve for securities available-for-sale	Total equity
31 December 2012		1,030,594		(669,529)	(1,193)	359,872
Profit for the year				22,710		22,710
Other comprehensive income for the year					1,193	1,193
Total comprehensive income for the year				22,710	1,193	23,903
Increase in share capital	19	174,330				174,330
Dividends declared	19			(1,531)		(1,531)
Purchase of treasury shares			(1,362)			(1,362)
31 December 2013		<u>1,204,924</u>	<u>(1,362)</u>	<u>(648,350)</u>		<u>555,212</u>
Loss for the year				(26,287)		(26,287)
Total comprehensive income for the year				(26,287)		(26,287)
Dividends declared	19			(7,042)		(7,042)
As at 31 December 2014		<u>1,204,924</u>	<u>(1,362)</u>	<u>(681,679)</u>		521,883

OJSC "PARITETBANK"

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 (in millions of Belarusian rubles)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit before income tax expense	13	(19,670)	20,981
Adjustments for:			
Depreciation	11,12	8,749	10,003
Allowance for loan impairment	8	78,791	5,522
Reversal of allowance for impairment of other assets		(192)	(706)
Loss on disposal of property and equipment and intangible assets		477	67
Net change in interest accruals		(37,906)	(13,395)
Gain on revaluation of derivative financial instruments	25	(43,472)	(30,420)
Unused vacation and bonus accrual		2,996	37
Loss from translation differences		25,762	32,962
Loss on write-off of material assets		614	1,213
Assets received as debt repayment under the loan agreements		-	(564)
Gains on disposal of non-current assets held for sale	24	(2,654)	(303)
Hyperinflation effect		64,494	36,860
Cash flows from operating activities before changes in operating assets and liabilities		77,989	62,257
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(111,584)	(655)
Loans to customers		69,364	(278,126)
Derivative financial instruments		3,124	27
Other assets		3,503	2,199
Net (increase)/decrease in operating liabilities			
Amounts due to credit institutions		100,586	95,036
Amounts due to customers		126,738	118,504
Other liabilities		93,594	(4,168)
Net cash inflows from operating activities before income tax		363,314	(4,926)
Income tax paid		(4,161)	(5,374)
Net cash inflow/(outflow) from operating activities		359,153	(10,300)

OJSC "PARITETBANK"

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2014 (in millions of Belarusian rubles)

	Note	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment and intangible assets		(10,057)	(8,370)
Acquisition of securities available for sale		(466,862)	(56,048)
Proceeds from sale of property and equipment and intangible assets		-	153
Proceeds from sale of non-current assets held for sale		837	160
Proceeds from redemption of securities available for sale		-	11,782
Net cash outflow from investing activities		(476,082)	(52,323)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary shares			174,330
Purchase of treasury shares		-	(1,362)
Net outflow from redemption of debt securities		58,687	-
Dividends paid	19	(7,042)	(1,460)
Net cash inflow from financing activities		51,645	171,508
NET (DECREASE) / INCREASE FN CASH AND CASH EQUIVALENTS			
		(65,284)	108,885
Effect of exchange rates changes on cash and cash equivalents		8,811	4,226
Effect of hyperinflation on cash and cash equivalents		(42,739)	(35,049)
Net (decrease)/increase in cash and cash equivalents		(99,212)	78,062
Cash and cash equivalents as at the beginning of reporting year		311,034	232,972
Cash and cash equivalents as at the end of reporting year		211,822	311,034