RCB BANK LTD
Report and Consolidated Financial Statements 2014

2014

RCB BANK LTD

Report and Consolidated Financial Statements 2014

Contents

03 Governance

04 Board of Directors and other officers
05 Report of the Board of Directors
07 Corporate Governance Report

08 Consolidated financial statements

09 Independent Auditor’s Report
11 Consolidated statement of comprehensive income
12 Consolidated balance sheet
13 Consolidated statement of changes in equity
14 Consolidated statement of cash flows
15 Notes to the consolidated financial statements

Governance

04 Board of Directors and other officers
05 Report of the Board of Directors
07 Corporate Governance Report

Board of Directors and other officers

Board of Directors

Panayiotis Loizides (Chairman since 25 April 2014, non-executive, independent)
Mikhail Kuzovlev (Chairman until 25 April 2014, non-executive, resigned on 24 December 2014)
Vadim Levin (non-executive)
Otar Marganiya (non-executive)
Sotirios Zackheos (executive)
Kirill Zimarin (Chief Executive Officer)
Christophoros Pissarides (non-executive, independent)
Andreas Tryfonides (non-executive, independent, appointed on 13 June 2014)
Erato Kozakou Marcoullis (non-executive, independent, appointed on 24 June 2014)
Georgios Papageorgiou (non-executive, independent, appointed on 1 January 2015)
Konstantin Bobrov (non-executive, appointed on 1 January 2015)

Secretary

Petr Zaytsev
7 Agiou Fanouriou Street
Agios Athanasios
CY-4103 Limassol

Registered office

2 Amathountos Street
CY-3105 Limassol

Report of the Board of Directors

01. The Board of Directors presents its report together with the audited consolidated financial statements of RCB BANK LTD (the "Bank") and its subsidiary (together, the "Group") for the year ended 31 December 2014.

Principal activity

02. The principal activity of the Group, which is unchanged from last year, is the provision of banking services on the basis of the licence granted by the Central Bank of Cyprus.

Review of developments, position and performance of the Group's business

03. The client loan portfolio of the Bank amounted US$8,5 billion as at 31 December 2014 and US$8,8 billion as at 31 December 2013. Net profit after tax for the year was US$41,1 million compared to US$100,6 million in the year 2013. The average number of employees increased from 240 to 248 compared to the previous year.

Principal risks and uncertainties

04. The principal risks assumed by the Group are banking and reputational risks. Banking risk refers to credit, liquidity, market and operational risk. Credit risk is significant for the Group and is adequately monitored by management. Market risk is also significant, due to the uncertainty concerning changes in foreign exchange rates and interest rates. Of lower significance is liquidity risk, defined as the inability of the Group to fulfil its obligations as they fall due and operational risk arising from failure of internal controls.

Future developments of the Group

05. The Board of Directors will closely monitor the current political and economic environment in countries where the Group has significant exposures and take measures accordingly.

Results

06. The Group's results for the year are set out on page 11.

Dividends

07. The Board of Directors recommends a dividend payout out of reserves amounting to US$40.000.000 (US$3,7032 per share). The remaining profit for the year is retained.

Share capital

08. On 24 November 2014, the Bank issued 2.468.136 shares of €1,71 each for a total consideration of US$124.222 thousand (US$50,33 per share) giving rise to a share premium of US$118.984 (Note 28).

Board of Directors

09. The members of the Board of Directors at 31 December 2014 and at the date of this report are shown on page 04. All of them were members of the Board throughout the year 2014, except for Mr Kuzovlev who resigned on 24 December 2014, and Mr Tryfonides and Ms Kozakou Marcoullis who were appointed on 13 June 2014 and 24 June 2014 respectively and except for Mr Papageorgiou and Mr Bobrov who were appointed on 1 January 2015.

10. There being no requirement in the Bank's Articles of Association for retirement of Directors by rotation, all Directors remain in office. In accordance with the Bank's Articles of Association, Mr Tryfonides and Ms Kozakou Marcoullis who were appointed in June 2014, and Mr Papageorgiou and Mr Bobrov who were appointed in January 2015, shall hold office until the next annual general meeting and shall then be eligible for re-election.

11. There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the balance sheet date

12. There are no material events after the balance sheet date, which have a bearing on the understanding of the consolidated financial statements.

Branches

13. The Group operates through the Bank's two branches in Cyprus and one branch in Luxembourg and has representative offices in the Russian Federation and in the United Kingdom.

Independent auditors

14. The Independent Auditors, PricewaterhouseCoopers Limited, have expressed their willingness to continue in office. A resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board
Petr Zaytsev
Secretary
Limassol, 31 March 2015

Corporate Governance Report

RCB BANK LTD (the “Bank”) and its subsidiary (together, the “Group”) consider that by following the principles of Corporate Governance - the system by which the Group is directed and run - it assists in the achievement of an appropriate and effective governance which safeguards the interests of its shareholders.

The Board

The Board’s role is to provide entrepreneurial leadership of the Group within a framework of prudent and effective controls, which enables risk to be assessed and managed. It oversees and controls the Group as well as formulates the Group’s strategy and future development. In this context, the Board monitors and examines the targets and strategic policy objectives, the annual budget, significant capital expenditure, unusual transactions, transactions with related parties, and the Group’s financial performance.

As of 31 December 2014, the Board of Directors consists of eight directors (2013: seven directors), six of whom are non-executive (2013: five non-executive). Four of the non-executive directors (2012: two non-executive) are independent.

There is a clear division of responsibility between the positions of the Chairman of the Board of Directors who presides over the Board meetings, and the position of the Chief Executive Officer who is responsible for the implementation of the Board’s policy and financial strategy.

The Board of Directors ensures that the system of internal controls is satisfactory based on the report received by the Internal Audit Committee.

The Board meets sufficiently regularly to discharge its duties effectively.

The Audit Committee

The main role and responsibilities of the Audit Committee are set out in its written terms of reference.

The Audit Committee ensures the implementation of the principles governing the preparation of the financial reports, the effectiveness of the internal control system and the independence of the external and internal auditors.

For and on behalf of the Board of Directors
Kirill Zimarin
Chief Executive Officer
Limassol, 31 March 2015

09 Independent Auditor’s Report
11 Consolidated statement of comprehensive income
12 Consolidated balance sheet
13 Consolidated statement of changes in equity
14 Consolidated statement of cash flows
15 Notes to the consolidated financial statements

Independent auditor’s report

To the Members of RCB BANK LTD

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of RCB BANK LTD (the “Bank”) and its subsidiary (together with the Bank, the “Group”), which comprise the consolidated balance sheet as at 31 December 2014, and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors’ Responsibility for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s 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 entity’s preparation of consolidated financial statements that give a true and fair view 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 the Board of Directors, 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.

PricewaterhouseCoopers Ltd, City House, 6 Karaiskakis Street, CY-3032 Limassol, Cyprus
P O Box 53034, CY-3300 Limassol, Cyprus
T: +357 25 555 000, F:+357 25 555 001, www.pwc.com.cy

PricewaterhouseCoopers Ltd is a member firm of PricewaterhouseCoopers International Ltd, each member firm of which is a separate legal entity. PricewaterhouseCoopers Ltd is a private company registered in Cyprus (Reg. No. 143594). A list of the company’s directors including for individuals the present name and surname, as well as any previous names and for legal entities the corporate name, is kept by the Secretary of the company at its registered office at 3 Themistocles Dervis Street, 1066 Nicosia and appears on the company’s web site. Offices in Nicosia, Limassol, Larnaca and Paphos.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013, we report the following:

- We have obtained all the information and explanations we considered necessary for the purposes of our audit.
- In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of these books.
- The consolidated financial statements are in agreement with the books of account.
- In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give the information required by the Cyprus Companies Law, Cap. 113, in the manner so required.
- In our opinion, the information given in the report of the Board of Directors is consistent with the consolidated financial statements.

Other Matter

This report, including the opinion, has been prepared for and only for the Bank's members as a body in accordance with Section 34 of the Auditors and Statutory Audits of Annual and Consolidated Accounts Laws of 2009 and 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Stelios Constantinou
Certified Public Accountant and Registered Auditor
For and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 31 March 2015

Consolidated statement of comprehensive income

for the year ended 31 December 2014

	Note	2014 US$000	2013 US$000
Interest income	6	411.263	960.074
Interest expense	6	(267.366)	(827.340)
Net interest income		**143.897**	**132.734**
Loan impairment charges	7	(9.713)	(12.873)
Net interest income after loan impairment charges		**134.184**	**119.861**
Fee and commission income	8	15.759	12.159
Fee and commission expense	8	(827)	(3.436)
Net fee and commission income		**14.932**	**8.723**
Other gains - net	9	75.248	159.043
Operating expenses	10	(172.758)	(171.079)
Profit before tax		**51.606**	**116.548**
Tax	12	(10.517)	(15.944)
Profit for the year		**41.089**	**100.604**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**41.089**	**100.604**

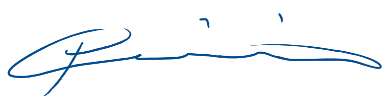
The notes on pages 15 to 63 are an integral part of these consolidated financial statements.

Consolidated balance sheet

at 31 December 2014

	Note	2014 US$000	2013 US$000
Assets			
Cash and balances with central banks	13	767.600	116.713
Loans and advances to banks	14	386.038	1.093.325
Financial assets at fair value through profit or loss	15	20.019	1.178.062
Derivative financial instruments	16	2.464	1.840
Loans and advances to customers	17	8.529.331	8.798.991
Property, plant and equipment	18	26.288	22.611
Intangible assets	19	1.913	2.885
Deferred income tax assets	20	243	217
Other assets	21	15.115	21.873
Total assets		**9.749.011**	**11.236.517**
Liabilities			
Deposits from banks	22	6.518.715	8.011.648
Due to customers	23	2.331.069	2.385.056
Financial liabilities at fair value through profit or loss	24	54.658	97.499
Derivative financial instruments	16	261	1.253
Debt securities in issue	25	87.301	107.136
Other liabilities	26	109.462	150.330
Current income tax liabilities		1.608	2.929
Subordinated debt	27	100.471	100.511
Total liabilities		**9.203.545**	**10.856.362**
Equity			
Capital and reserves attributable to the equity holders			
Share capital	28	23.308	18.070
Share premium	28	150.710	31.726
Retained earnings		371.448	330.359
Total equity		**545.466**	**380.155**
Total equity and liabilities		**9.749.011**	**11.236.517**

On 31 March 2015 the Board of Directors of RCB BANK LTD authorised these consolidated financial statements for issue.



Panayiotis Loizides
Chairman Non-Executive Independent

Kirill Zimarin
Chief Executive Officer

Sotirios Zackheos
Executive Director

Petr Zaytsev
Secretary

The notes on pages 15 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2014

	Note	Share capital US$000	Share premium US$000	Retained earnings US$000	Total US$000
Balance at 1 January 2013		**18.070**	**31.726**	**329.755**	**379.551**
Comprehensive income					
Profit for the year		-	-	100.604	100.604
Transactions with owners					
Dividends out of reserves	32	-	-	(100.000)	(100.000)
Balance at 31 December 2013		**18.070**	**31.726**	**330.359**	**380.155**
Comprehensive income					
Profit for the year		-	-	41.089	41.089
Transactions with owners					
Issue of share capital	28	5.238	118.984	-	124.222
Balance at 31 December 2014		**23.308**	**150.710**	**371.448**	**545.466**

The notes on pages 15 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2014

	Note	2014 US$000	2013 US$000
Cash flows from operating activities			
Interest received		492.959	996.074
Interest paid		(214.338)	(675.372)
Gains from financial assets at fair value through profit or loss		79.872	176.783
Foreign exchange losses		(4.571)	(9.613)
Fees and commissions received		13.243	22.295
Fees and commissions paid		(827)	(3.436)
Other operating income received		22	137
Operating expenses paid		(168.262)	(162.833)
Income tax paid		(11.859)	(15.697)
Cash flows generated from operating activities before changes in operating assets and liabilities		**186.239**	**328.338**
Net decrease in mandatory reserve deposits with central banks		42.631	40.106
Net decrease in financial assets at fair value through profit or loss		222.880	1.126.029
Net decrease/(increase) in amounts due from banks		667.479	(43.801)
Net (increase)/decrease in loans and advances to customers		(278.619)	5.263.047
Net decrease/(increase) in other assets		6.678	(14.820)
Net decrease in amounts due to banks		(127.744)	(6.426.326)
Net increase/(decrease) in customer accounts		83.895	(999.188)
Net (decrease)/increase in promissory notes issued		(9.379)	88.806
Net decrease in financial liabilities at fair value through profit or loss		(43.867)	-
Net (decrease)/increase in other liabilities		(36.097)	192.580
Net cash from/(used in) operating activities		**714.096**	**(445.229)**
Cash flows from investing activities			
Purchases of property, plant and equipment	18	(6.745)	(2.806)
Proceeds from disposal of property, plant and equipment	18	10	94
Purchases of intangible assets	19	(117)	(458)
Net cash used in investing activities		**(6.852)**	**(3.170)**
Cash flows from financing activities			
Dividends paid	32	-	(100.000)
Proceeds from issue of share capital	28	124.222	-
Interest paid on subordinated debt	27	(7.208)	(7.168)
Net cash from/(used in) financing activities		**117.014**	**(107.168)**
Net increase/(decrease) in cash and cash equivalents		**824.258**	**(555.567)**
Effect of exchange rate changes on cash and cash equivalents		(151.185)	(4.826)
Cash and cash equivalents at beginning of year		226.434	786.827
Cash and cash equivalents at end of year	30	**899.507**	**226.434**

The notes on pages 15 to 63 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. General information

Country of incorporation

RCB BANK LTD (the "Bank") and its subsidiary (together, the "Group") are involved in the provision of banking services. The Bank is incorporated and domiciled in Cyprus and operates as a bank under licence from the Central Bank of Cyprus dated 1 August 1995. As at 31 December 2014, its registered office and its principal place of business are at 2 Amathuntos Street, CY-3105 Limassol, Cyprus.

The wholly owned subsidiary, Russian Commercial Trust Company (Jersey) Ltd, is incorporated and domiciled in Jersey. The Bank contributed US$675 thousand to its share capital in January 2011. As of 31 December 2014, the subsidiary is not fully operational.

The Bank has two branches in Cyprus and one in Luxembourg. Additionally, the Bank has representative offices in Russia and in the United Kingdom.

Principal activity

The principal activity of the Bank is the provision of banking services on the basis of the licence granted by the Central Bank of Cyprus. The Bank's subsidiary is involved in the provision of trust company services.

2. Operating environment of the Group

The Bank is regulated by the Central Bank of Cyprus and is required to comply with the Cyprus Banking Law, the Directives issued from time to time by the Central Bank of Cyprus and the EU Directives implemented by the Republic of Cyprus. Since 1 November 2014, the Bank is supervised by the European Central Bank under the Single Supervisory Mechanism since it was identified as a significant financial institution within the Eurozone.

Cyprus operating environment

The Cyprus economy has been adversely affected by the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. These events led to negotiations between the Republic of Cyprus and the European Commission, the European Central Bank and the International Monetary Fund (the "Troika") for financial support which resulted into the Eurogroup decision on 25 March 2013. The decision included the restructuring of the two largest banks in Cyprus through a "bail in". Additionally, during 2013 and 2014 the Cyprus economy further contracted with a decrease in the Gross Domestic Product.

Russian operating environment

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 29).

Since 2014 the Russian economy was negatively impacted by a decline in oil prices and the ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The Central Bank of Russian Federation ("CBRF") rouble exchange rate fluctuated significantly against the US dollar and the CBRF key refinancing interest rate increased significantly. The access to international financial markets to raise funding was limited for certain Russian entities and the capital outflows increased compared to prior years. Russia's credit rating was also downgraded by external credit rating agencies during 2015.

Management determined loan impairment provisions using the "incurred loss" model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment. Thus final impairment losses from financial assets could differ significantly from the current level of provisions.

Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented in these consolidated financial statements unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), and the requirements of the Cyprus Companies Law, Cap. 113.

The consolidated financial statements comprise the consolidated statement of comprehensive income, consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes.

As of the date of the authorisation of the consolidated financial statements, all International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) that are effective as of 1 January 2014 have been adopted by the EU through the endorsement procedure established by the European Commission, with the exception of certain provisions of IAS 39 "Financial Instruments: Recognition and Measurement" relating to portfolio hedge accounting.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial instruments at fair value through profit or loss, derivatives, and land and buildings.

The Group classifies its expenses by the function of expense method.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

Adoption of new and revised IFRSs

During the current year the Group adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2014 including:

- IFRS 10, "Consolidated financial statements". IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 12, "Disclosures of Interests in Other Entities". IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 sets out the required disclosures for entities reporting under the two new standards: IFRS 10, Consolidated financial statements, and IFRS 11, Joint arrangements, and replaces the disclosure requirements currently found

in IAS 28, Investments in associates. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgments and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities.

- IAS 27, "Separate Financial Statements" was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10, "Consolidated Financial Statements".
- Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32. The amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms.

This adoption did not have a material effect on the accounting policies of the Group.

At the date of approval of these consolidated financial statements a number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the financial statements of the Group, except the following set out below:

- IFRS 9 "Financial Instruments: Classification and Measurement" (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018, not yet endorsed by the European Union). Key features of the new standard are:
  - I. Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
  - II. Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
  - III. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held-for-trading. If the equity instrument is held-for-trading, changes in fair value are presented in profit or loss.
  - IV. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
  - V. IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

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

Consolidation

A. Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in case of a bargain purchase, the difference is recognized directly in the consolidated statement of comprehensive income.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies applied by the Group.

B. Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in the carrying amount recognised in profit or loss. The fair value is the initial amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Interest income and expense

Interest income and expense for all interest bearing financial instruments, except for those classified as held-for-trading or designated at fair value through profit or loss, are recognised within 'interest income' and 'interest expense' in the consolidated statement of comprehensive income using the effective interest method.

Income on financial assets at fair value through profit or loss is included in the consolidated statement of comprehensive income within 'other gains-net' in the period in which it arises.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset

or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other commissions, premiums or discounts.

When a financial asset or a group of similar financial assets is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired financial asset is recognised using the original effective interest rate.

Fee and commission income

Fees and commissions are generally recognised on an accruals basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down, are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Commission and fees arising from negotiating, or participating in the negotiations of a transaction for a third party - such as the arrangement of the acquisition of shares or other securities are recognised on the completion of the underlying transactions. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Asset management fees related to investment funds are recognised reliably over the period in which the service is provided. The same principle is applied for custody services that are continuously provided over an extended period of time. Performance linked fees or fee components are recognised when the performance criteria are fulfilled. Agency fee income whereby the Group acts as an agent of a third party in entering and completing a transaction on pre-determined terms and conditions are recognised over the term of the arrangement based on the services performed to date as a percentage of the total services to be performed.

Employee benefits

The Bank and the employees contribute to the Government Social Insurance Fund based on employees' salaries. In addition, the Bank operates provident fund schemes that are funded by payments from the Bank and the employees. The Bank's contributions are expensed when due and are included in staff costs. The Bank has no further payment obligations once the contributions have been paid.

Foreign currency translation

A. Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars (US$) which is the Group's presentation currency and the functional currency of the Bank and its subsidiary.

B. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Translation differences on non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined and are recognised in profit or loss, as part of the fair value gain or loss.

C. Group companies

The results and financial position of all the Group companies (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction effects neither accounting nor tax profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on the Group and where there is an intention to settle the balances on a net basis.

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

Financial assets

I. Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Financial assets at fair value through profit or loss**
  This category has two sub categories: financial assets held-for-trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held-for-trading if acquired principally for the purpose of selling or repurchasing in the short term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-making. Derivatives are also categorised as held-for-trading.

Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Group's key management personnel.

Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realised within twelve months of the balance sheet date.

- **Loans and receivables**

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable, other than:
  - those that the Group intends to sell immediately or in the short term, which are classified as held-for-trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;
  - those that the Group upon initial recognition designates as available for sale;
  - those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

  They are included in current assets, except for maturities greater than twelve months after the balance sheet date. These are classified as non current assets.

  The Group's loans and receivable comprise "cash and balances with Central banks", "Loans and advances to banks" and "Loans and advances to customers".

II. Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the settlement date which is the date on which the asset is delivered to the Group. Loans and receivables are recognised when cash is advanced to the borrowers. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the profit or loss. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. Any difference between fair value and transaction price is included within profit or loss.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the consolidated statement of comprehensive income within 'other gains-net' in the period in which they arise. Coupon income on debt instruments classified as financial assets held-for-trading is also included in the consolidated statement of comprehensive income within 'other gains-net' in the period in which it arises.

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

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

A portfolio of financial assets that are not traded in an active market is measured on the basis of the price that would be received to sell a net long position for a particular risk exposure in an orderly transaction between market participants at the measurement date. Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial assets for which external market pricing information is not available.

Financial assets at fair value through profit or loss for which downside risk is covered by bank guarantees, are carried at the higher of their fair value, as estimated by use of valuation techniques, and the amount guaranteed by a bank.

Reclassification of financial assets

The Group may choose to reclassify a non-derivative financial asset held-for-trading out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near-term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near-term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading category if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

On reclassification of a financial asset out of the 'at fair value through profit or loss' category all embedded derivatives are re-assessed and, if necessary, separately accounted for.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Derivative financial instruments

Derivative financial instruments, which comprise mainly currency derivative contracts, are initially recognised in the balance sheet at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained using valuation techniques, including discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains or losses arising from currency derivative contracts are shown in the consolidated statement of comprehensive income within 'other gains-net'. Certain derivatives embedded in other financial instruments such as prepayment options in loan contracts, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are separately accounted for at fair value, with changes in fair value recognised in the profit or loss unless the Group chooses to designate the hybrid contracts at fair value through profit or loss. The Group does not apply hedge accounting.

Sale and repurchase agreements

Securities sold subject to repurchase agreements ('repos') are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as loans and advances to other banks or customers, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the consolidated financial statements.

Impairment of financial assets

A. Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets are impaired.

A financial asset or a group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets are impaired includes observable data that come to the attention of the Group about the following loss events:

I. significant financial difficulty of the issuer or obligor;
II. a breach of contract, such as a default or delinquency in interest or principal payments;
III. the Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the Group would not otherwise consider;
IV. it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
V. the disappearance of an active market for that financial asset because of financial difficulties;
VI. deterioration of the borrower's competitive position;
VII. deterioration in the value of collateral;
VIII. observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
- adverse changes in the payment status of borrowers in the group; or
- national or local economic conditions that correlate with defaults on the assets in the group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. The Group considers a financial asset being individually significant if its carrying amount equals or exceeds 0,5% of the Bank's share capital and reserves. If the Group 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 risk characteristics and collectively assesses them for impairment to the extent applicable to the Group given the nature of its operations, the small number of loans and availability of the necessary data. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (ie, on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors) to the extent applicable to the Group given the nature of its operations, the small number of loans and history of loan losses.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the consolidated statement of comprehensive income, in impairment charge for credit losses.

B. Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years that asset is considered to be past due and disclosed only if renegotiated again.

Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held-for-trading, and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. Financial liabilities designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Group's documented strategy. They include obligations to deliver financial assets borrowed by a short seller.

The quoted market price for financial liabilities is the current asking price.

Gains and losses arising from changes in fair value of financial liabilities at fair value through profit or loss are presented in the consolidated statement of comprehensive income within 'other gains-net' in the period in which they arise.

Borrowings, debt securities in issue and subordinated debt

Borrowings and debt securities in issue including subordinated debt are recognised initially at fair value, net of transaction costs incurred. Borrowings and debt securities in issue are subsequently stated at amortised cost. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in interest expense in the consolidated statement of comprehensive income over the period of the borrowings and debt securities in issue using the effective interest method.

Borrowings and debt securities in issue are derecognised when they are extinguished that is, when the obligation is discharged, cancelled or expires.

When there are changes in terms of the financial liability, the Group considers whether the new terms are substantially different. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability. Qualitative factors are also taken into consideration in deciding when there is a substantial change in the terms of the financial liabilities. These include changes in the currency denomination and substantial changes in the maturity profile of the financial liability. In such cases, the Group treats the modification as an extinguishment.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment, which is reported in the consolidated statement of comprehensive income within 'other gains-net'. If the exchange or modification is not accounted for as an extinguishment, the Group recognises any gain or loss as an adjustment to the carrying amount of the liability and with a related charge or credit in the profit or loss. Related costs or fees incurred are amortised over the remaining term of the modified liability using the original effective interest rate.

When the estimates of payments to settle the financial liability are amended to reflect actual and estimated cash flows, the Group recalculates the carrying amount of the liability by computing the present value of estimated future cash flows at the financial liability's effective interest rate and any adjustment is recognised as income or expense in the consolidated statement of comprehensive income.

The rights of the lender under the subordinated debt are at all times subordinated to the rights of all other creditors of the Group.

Due to customers

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

Property, plant and equipment

Land and buildings comprise the Group's premises. The premises of the Group are recognised at fair value less subsequent depreciation of buildings and impairment provision when necessary.

The frequency of revaluations depends upon the changes in the fair values of premises being revalued. When the fair value of a revalued asset differs materially from its carrying amount, a further revaluation is necessary. Some items of property, plant and equipment may experience significant and volatile movements in fair value thus necessitating annual revaluation. Such frequent revaluations are unnecessary for items of property, plant and equipment with only insignificant movements in fair value. Instead, revaluation every five years may be sufficient.

The fair value of land and buildings is usually determined from market based evidence by appraisal normally undertaken by independent professionally qualified valuers.

The depreciation after the date of the revaluation is calculated on the basis of the revalued carrying value of this asset.

All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Increases in the carrying amount arising on revaluation of land and buildings are credited in other comprehensive income and shown as other reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against other reserves directly in equity; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost is transferred from 'other reserves' to 'retained earnings'.

Land is not depreciated. Depreciation on other assets is calculated on the straight line method to allocate the cost or revalued amount to their residual values over their estimated useful lives. The annual depreciation rates are as follows:

	%
Buildings	4
Furniture and equipment	10-33
Motor vehicles	20

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each balance sheet date. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use. No property, plant and equipment were impaired as at 31 December 2014 and 31 December 2013.

Expenditure for repairs and maintenance of property, plant and equipment is charged to the profit or loss of the year in which it was incurred. The cost of major renovations and other subsequent expenditure are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and these are included in operating expenses in the consolidated statement of comprehensive income.

Computer software

Costs that are directly associated with identifiable and unique computer software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets. Subsequently computer software is carried at cost less any accumulated amortisation and any accumulated impairment losses. Expenditure, which enhances or extends the performance of computer software programmes beyond their original specifications is recognised as a capital improvement and added to the original cost of the computer software. Costs associated with maintenance of computer software programmes are charged to the profit or loss of the year in which they were incurred. Computer software costs are amortised using the straight line method over their estimated useful lives, not exceeding a period of three years. Amortisation commences when the computer software is available for use and is included within administrative expenses.

Leases

The leases entered into by the Group are exclusively operating leases, in which a significant portion of the risks and rewards of ownership are retained by the lessor. Payments (net of any incentives received from the lessor), including prepayments, made under operating leases are charged to operating expenses in the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

No non-financial assets were impaired in 2014 and 2013.

Other receivables and payables

Other receivables and payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. Share premium account can only be resorted to for limited purposes subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Restructuring provisions comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Costs related to the ongoing activities of the Group are not provided in advance.

Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise amounts in course of collection, including cash and non-restricted balances with central banks. Cash and cash equivalents are carried at amortised cost.

Repossessed properties

In certain circumstances, property is repossessed following the foreclosure on loans that are in default. Repossessed properties are measured at the lower of carrying amount and fair value less costs to sell and are reported within ‘other assets’. As of 31 December 2014 and 31 December 2013, no repossessed properties were held by the Group.

Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of corporate entities, trusts, individuals and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group. Commissions received from fiduciary activities are presented in the consolidated statement of comprehensive income within ‘fee and commission income’ in the period in which they arise.

Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee is given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premium is recognised. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation of fees calculated to recognise in the consolidated statement of comprehensive income the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the balance sheet date. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. Any increase in the liability relating to guarantees is taken to the consolidated statement of comprehensive income within operating expenses.

Dividend distribution

Dividend distribution to the Bank's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Group. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of Directors and in the case of final dividends, these are recognised in the period in which these are approved by the Bank's shareholders.

4. Financial risk management

4.1. General

The Group's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the financial business, and the operational risks are an inevitable consequence of being in business. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Board of Directors of the Bank has overall responsibility for the establishment and oversight of the Group's risk management framework. The Risk Management Department is responsible for developing and monitoring the Group's risk management policies. The Department reports quarterly to the Board of Directors on its activities.

The Group's risk management policies are designed to identify and analyse the risks faced by the Group, to set the appropriate risk limits and controls and to monitor the risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and responsibilities.

Risk management processes throughout the Group are audited by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. The Internal Audit Department discusses the results of all assessments with the management and reports its findings and recommendations to the Audit Committee.

The risks arising from financial instruments to which the Group is exposed are financial risks, which include credit risk, liquidity risk, market risk and operational risk (which are discussed below).

4.2. Credit risk

4.2.1. Credit risk

Credit risk is the risk of financial loss being incurred by the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations to the Group. Credit risk arises mainly from loans and advances to customers, and loan commitments, arising from such lending activities, but can also arise from financial guarantees, investments in debt securities and other exposures arising from its trading activities ('trading exposures'), including derivatives and reverse repurchase loans.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. All new exposures and limits are approved by the Credit, Assets and Liabilities Committee.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is largely managed by detailed credit risk assessment performed by the Corporate Banking Department or the Commercial Business Department prior to the issue of loans and by ensuring that adequate collateral is obtained. The assessments are independently reviewed by the Risk Management Department.

Exposure to credit risk is moderate, as most of the loans and advances to customers are either secured by VTB group guarantees or collateralised by cash deposits. The majority of the loans covered by VTB group guarantees are also secured by obtaining third-party collateral, including securities, personal guarantees, and mortgages on property. The Group uses independent appraisers to estimate the market values of collateralised properties.

The main considerations for the impairment assessment for loans and advances to customers and banks include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

All the loans are individually assessed for impairment. Most of the loans of the Group are covered by deposits and/or bank guarantees. The bank guarantees are exercisable upon presentation, hence, the Group does not expect to incur any credit losses on these loans.

For debt securities, external ratings such as Standard & Poor's, Fitch and Moody's ratings and assessments performed by the Risk Management Department are used for managing the credit risk exposures. The investments in these securities are viewed as a way to maintain a readily available source to meet any funding requirements.

Trading credit products for which downside risk is covered by bank guarantees are considered to be of equal credit quality as exposures to these banks as they carry their ultimate credit risk.

The Group does not hold any collateral for financial assets other than loans and advances to customers, debt instruments held-for-trading and letters of guarantee. For credit related commitments, commitments to extend credit, representing unused portions of authorisations to extend credit in the form of loans or guarantees, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as all commitments are contingent upon customers providing the requested collateral.

4.2.2. Maximum exposure to credit risk before collateral held or other credit enhancements

The table below shows the maximum exposure to credit risk for both on-balance sheet and off-balance sheet components. The maximum exposure is shown gross, without taking into consideration any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out below are based on net carrying amounts as reported in the consolidated balance sheet.

	2014 US$000	2013 US$000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Balances with central banks	765.241	114.569
Loans and advances to banks	386.038	1.093.325
Financial assets at fair value through profit or loss:		
- Debt instruments	20.019	1.145.627
- Debt securities pledged under repurchase agreements	-	32.435
Derivative financial instruments	2.464	1.840
Loans and advances to customers:		
- Legal entities by purpose of facility:		
· Project finance	476.980	320.790
· Current activity financing	4.218.104	6.583.509
· Reverse repurchase agreements	128.362	87.077
· Other	3.483.697	1.505.185
- Individuals by purpose of facility:		
· Mortgage	30.013	31.228
· Reverse repurchase agreements	69	574
· Other	192.106	270.628
Other financial assets	9.796	13.326
Credit risk exposures relating to off-balance sheet items are as follows:		
Financial guarantees	15.234	23.330
Loan commitments	300.275	350.944
At 31 December	**10.028.398**	**11.574.387**

Where financial instruments are recorded at fair value the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

4.2.3. Loans and advances

	Loans and advances to customers		Loans and advances to banks		Loans and advances to central banks	
	2014 US$000	2013 US$000	2014 US$000	2013 US$000	2014 US$000	2013 US$000
Neither past due nor impaired	8.495.668	7.858.777	386.038	1.093.325	765.241	114.569
Past due but not impaired	2.895	913.941	-	-	-	-
Impaired	54.419	47.035	-	-	-	-
Gross	**8.552.982**	**8.819.753**	**386.038**	**1.093.325**	**765.241**	**114.569**
Less: allowance for impairment	(23.651)	(20.762)	-	-	-	-
Net	**8.529.331**	**8.798.991**	**386.038**	**1.093.325**	**765.241**	**114.569**

The total impairment provision for loans and advances is US$23.651 thousand (2013: US$20.762 thousand), which represents the accumulated provision on the individually impaired loans.

A. Loans and advances to customers neither past due nor impaired

The credit quality of the portfolio of loans and advances to customers that were neither past due nor impaired can be assessed by reference to collateral held. For the purposes of the table below, the loans and advances to customers secured by guarantees are classified under guarantees, without taking into consideration further collateral held.

	Loans and advances to customers							
	Legal entities				Individuals			
Purpose of facility	Project finance US$000	Current activity financing US$000	Reverse repos US$000	Other US$000	Mortgage US$000	Reverse repos US$000	Other US$000	Total loans and advances to customers US$000
At 31 December 2014								
Credit quality by type of collateral:								
Cash	138.463	355.081	-	653.915	-	-	64.434	1.211.893
Guarantees	21.407	3.340.022	-	2.605.375	-	-	525	5.967.329
Securities	62.401	253.843	128.362	89.156	-	69	92.451	626.282
Other	254.709	130.066	-	60.998	28.843	-	31.586	506.202
Unsecured	-	109.252	-	74.253	-	-	457	183.962
Total	**476.980**	**4.188.264**	**128.362**	**3.483.697**	**28.843**	**69**	**189.453**	**8.495.668**
At 31 December 2013								
Credit quality by type of collateral:								
Cash	177.758	1.205.125	-	417.276	-	-	118.739	1.918.898
Guarantees	24.200	4.954.493	-	-	-	-	-	4.978.693
Securities	-	244.581	87.077	169.336	-	574	100.447	602.015
Other	93.579	173.586	-	4.582	30.120	-	40.683	342.550
Unsecured	-	5.724	-	50	294	-	10.553	16.621
Total	**295.537**	**6.583.509**	**87.077**	**591.244**	**30.414**	**574**	**270.422**	**7.858.777**

B. Loans and advances to banks neither past due nor impaired

The credit quality of loans and advances to banks that are neither past due nor impaired is assessed by reference to whether they are within the Basel III (2013: Basel II) implementation zone or not.

	2014 US$000	2013 US$000
Loans and advances to banks by class		
Banks within Basel III (2013: Basel II) implementation zone	265.505	1.060.395
Banks outside Basel III (2013: Basel II) implementation zone	120.533	32.930
	386.038	**1.093.325**

C. Loans and advances to central banks

All balances with central banks comprise balances with the Central Bank of Cyprus, the Bank's regulatory supervisory body.

D. Loans and advances to customers past due but not impaired

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The amount of loans and advances to customers by class that were past due but not impaired were as follows:

Purpose of facility	Legal entities Other US$000	Mortgage US$000	Individuals Other US$000	Total loans and advances to customers US$000
At 31 December 2014				
1 to 30 days	-	-	614	614
31 to 60 days	-	-	1.897	1.897
61 to 90 days	-	-	-	-
91 days to 1 year	-	384	-	384
More than 1 year	-	-	-	-
Total	**-**	**384**	**2.511**	**2.895**
Fair value of collateral	**-**	**384**	**2.511**	**2.895**
At 31 December 2013				
1 to 30 days	-	-	-	-
31 to 60 days	-	-	-	-
61 to 90 days	-	-	-	-
91 days to 1 year	-	-	-	-
More than 1 year	913.941	-	-	913.941
Total	**913.941**	**-**	**-**	**913.941**
Fair value of collateral (cash)	**913.941**	**-**	**-**	**913.941**

E. Loans and advances to banks past due but not impaired

As of 31 December 2014 and 31 December 2013 there were no loans and advances to banks which were past due but not impaired.

F. Loans and advances individually impaired

The gross amounts of individually impaired loans and advances to customers before taking into consideration the cash flows from collateral held is US$54.419 thousand (2013: US$47.035 thousand).

The breakdown of the gross amount of individually impaired loans and advances by class, along with the fair value of related collateral held by the Group as security, are as follows:

Purpose of facility	Legal entities Project finance US$000	 Current activity financing US$000	 Other US$000	Individuals Mortgage US$000	 Other US$000	Total loans and advances to customers US$000
At 31 December 2014						
Individually impaired loans	7.682	45.078	-	1.265	394	54.419
Fair value of collateral	-	29.840	-	785	143	30.768
At 31 December 2013						
Individually impaired loans	38.966	3.267	3.159	1.329	314	47.035
Fair value of collateral	25.253	-	-	814	206	26.273

The Group did not have any individually impaired loans and advances with banks as of 31 December 2014 and 31 December 2013.

4.2.4. Debt instruments

The table below presents an analysis of debt instruments by rating agency designation at 31 December 2014 and 2013, based on Moody's and Standard & Poor's ratings.

	Rating agency	Debt securities US$000	Trading credit products US$000	Debt securities pledged under repurchase agreements US$000	Total US$000
At 31 December 2014					
Aaa	Moody's	-	-	-	-
Baa2	Moody's	-	-	-	-
B1	Moody's	10.500	-	-	10.500
B2	Moody's	-	-	-	-
B3	Moody's	-	-	-	-
Caa1	Moody's	-	-	-	-
BB	S&Ps	-	-	-	-
B+	S&Ps	9.519	-	-	9.519
Total		**20.019**	**-**	**-**	**20.019**
At 31 December 2013					
Aaa	Moody's	22.208	-	8.258	30.466
Baa2	Moody's	-	943.369	-	943.369
B1	Moody's	69.736	-	-	69.736
B2	Moody's	35.022	-	14.861	49.883
B3	Moody's	26.594	-	-	26.594
Caa1	Moody's	6.756	-	2.896	9.652
BB	S&Ps	14.981	-	6.420	21.401
B+	S&Ps	26.961	-	-	26.961
Total		**202.258**	**943.369**	**32.435**	**1.178.062**

Trading credit products were fully secured by bank guarantees and were considered to carry the ultimate credit risk of the guarantors.

None of the debt instruments in the Group's trading book are either past due or impaired as of 31 December 2014 and 31 December 2013.

4.2.5. Repossessed collateral

As of 31 December 2014 and 31 December 2013, the Group did not have any assets by taking possession of collateral held as security.

4.2.6. Other financial assets

The Group did not have any past due or impaired other financial assets as of 31 December 2014 and 31 December 2013.

4.2.7. Concentration of risks of financial assets with credit risk exposure

A. Geographical concentration

The following table breaks down the Group's main credit exposures at their carrying amounts, as categorised by geographical region as of 31 December 2014 and 31 December 2013. For this table, the Group has allocated exposures to regions based on the country of domicile of its counterparties.

	Cyprus US$000	Europe US$000	Russia US$000	America US$000	Other countries US$000	Total US$000
Credit risk exposures relating to on-balance sheet assets are as follows:						
Balances with central banks	765.241	-	-	-	-	765.241
Loans and advances to banks	5.954	207.608	120.518	51.958	-	386.038
Financial assets at fair value through profit or loss:						
- Debt instruments	-	-	20.019	-	-	20.019
Derivative financial instruments	494	-	1.958	-	12	2.464
Loans and advances to customers:						
- Legal entities by purpose of facility:						
· Project finance	121.411	89.306	179.816	-	86.447	476.980
· Current activity financing	2.005.438	1.003.238	226.439	11.769	971.220	4.218.104
· Reverse repurchase agreements	1.869	-	-	-	126.493	128.362
· Other	721.232	69.012	2.693.453	-	-	3.483.697
- Individuals by purpose of facility:						
· Mortgage	19.302	-	10.711	-	-	30.013
· Reverse repurchase agreements	69	-	-	-	-	69
· Other	34.606	841	156.656	-	3	192.106
Other financial assets	7.966	499	106	-	1.225	9.796
Credit risk exposures relating to off-balance sheet items are as follows:						
Financial guarantees	881	629	13.716	-	8	15.234
Loan commitments	44.579	8.370	88.695	23.373	135.258	300.275
At 31 December 2014	**3.729.042**	**1.379.503**	**3.512.087**	**87.100**	**1.320.666**	**10.028.398**
At 31 December 2013	**3.029.556**	**3.042.726**	**3.475.243**	**218.399**	**1.808.463**	**11.574.387**

The Group's significant amount of loans and advances to customers are with entities with operations in the Russian Federation.

4.2.8. Disclosures as per the Central Bank of Cyprus 'Directive issued to Credit Institutions on loan impairment and provisioning procedures'

A. Analysis of loans and advances according to their performance status

The table below presents an analysis of loan and advances to customers according to their performance status as of 31 December 2014.

	Gross carrying amount				Accumulated impairment			
			Of which exposures with forbearance measures				Of which exposures with forbearance measures	
	Total	Of which on non-performing exposure		Of which on non-performing		Of which on non-performing exposure		Of which on non-performing
	US$000	US$000	US$000	US$000	US$000	US$000	US$000	US$000
Loans and advances	**8.552.982**	**54.803**	**227.464**	**50.266**	**(23.651)**	**(23.651)**	**(20.042)**	**(20.042)**
- General governments	298.360	-	-	-	-	-	-	-
- Other financial corporations	6.414.694	49.882	158.166	49.882	(20.042)	(20.042)	(20.042)	(20.042)
- Non-financial corporations	1.617.010	2.879	62.418	-	(2.879)	(2.879)	-	-
· Of which: Small and Medium-sized Enterprises	58.002	2.879	4.980	-	(2.879)	(2.879)	-	-
· Of which: Commercial real estate	134.797	-	4.972	-	-	-	-	-
· By sector:								
- Mining and quarrying	1.017.998	-	-	-	-	-	-	-
- Transportation and storage	199.790	-	-	-	-	-	-	-
- Construction	170.949	-	-	-	-	-	-	-
- Real estate activities	109.959	-	62.418	-	-	-	-	-
- Wholesale and retail trade	51.062	-	-	-	-	-	-	-
- Other	67.252	2.879	-	-	(2.879)	(2.879)	-	-
- Households	222.918	2.042	6.880	384	(730)	(730)	-	-
· Of which: Residential mortgage loans	26.540	395	6.475	-	(251)	(251)	-	-
· Of which: Credit for consumption	555	-	-	-	-	-	-	-

There was no impairment in accordance with IAS39 for performing loans which were classified as exposures with forbearance measures as of 31 December 2014 since these borrowers are expected to fully meet their commitments.

The definitions of non-performing exposures and forborne exposures are in accordance with the provisions of "EBA Final draft Implementing Technical Standards on Supervisory reporting on forbearance and non-performing exposures" under article 99(4) of Regulation (EU) No 575/2013.

Non-performing exposures are those that satisfy either or both of the following criteria:

i. material exposures which are more than 90 days past due;
ii. the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past due amount or of the number of the days past due.

Forborne exposures are debt contracts in respect of which forbearance measures have been extended. Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments.

Concession refers to either of the following actions:

i. a modification of the previous terms and conditions of a contract the debtor is considered unable to comply with due to its financial difficulties ("troubled debt") to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulties;
ii. a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

B. Analysis of loans and advances according to their origination date

The table below presents an analysis of loans and advances to customers (excluding general governments) analysed on the basis of their origination date.

	Total loans			Loans to non-financial corporations			Loans to other financial corporations			Loans to households		
Total loans granted	Gross carrying amount US$000	Non-performing loans US$000	Accumulated impairment US$000	Gross carrying amount US$000	Non-performing loans US$000	Accumulated impairment US$000	Gross carrying amount US$000	Non-performing loans US$000	Accumulated impairment US$000	Gross carrying amount US$000	Non-performing loans US$000	Accumulated impairment US$000
Within 1 year	5.272.586	-	-	1.432.567	-	-	3.809.920	-	-	30.099	-	-
1-2 years	568.908	-	-	4.513	-	-	429.808	-	-	134.587	-	-
2-3 years	1.776.487	2.879	(2.879)	153.311	2.879	(2.879)	1.587.484	-	-	35.692	-	-
3-5 years	330.855	51.924	(20.772)	18.798	-	-	289.517	49.882	(20.042)	22.540	2.042	(730)
5-7 years	305.786	-	-	7.821	-	-	297.965	-	-	-	-	-
7-10 years	-	-	-	-	-	-	-	-	-	-	-	-
More than 10 years	-	-	-	-	-	-	-	-	-	-	-	-
Total	**8.254.622**	**54.803**	**(23.651)**	**1.617.010**	**2.879**	**(2.879)**	**6.414.694**	**49.882**	**(20.042)**	**222.918**	**2.042**	**(730)**

4.3. Market risk

The Group takes on exposure to market risks, which is the risk of losses in on-balance sheet and off-balance sheet positions arising from movements in the market variables. The main risks falling within the above definition are the risks pertaining to interest rate related instruments in the trading book, price risk related to equity instruments in the trading book and foreign exchange risk in the banking and trading book. The Group is not exposed to market risk arising from commodity prices.

4.3.1. Price risk

The Group has no equity securities as at 31 December 2014 and 2013, and therefore is not exposed to equity securities price risk.

4.3.2. Currency risk

Currency risk is the risk that the foreign exchange rates will change affecting the value of the Group's foreign exchange position and consequently the value of the Group's balance sheet. The Credit, Assets and Liabilities Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group does not open positions in any currency with the view of profiting from exchange fluctuations. Any foreign currency positions are short term and for operational purposes. The Group uses currency derivative contracts as part of its management of currency risk.

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2014 and 2013. Included in the table are the Group's financial assets and financial liabilities at carrying amounts as well as off-balance sheet instruments, categorised by currency.

	RUR US$000	EUR US$000	USD US$000	Other US$000	Total US$000
At 31 December 2014					
Assets					
Cash and balances with central banks	37	766.242	1.090	231	767.600
Loans and advances to banks	30.146	16.816	289.114	49.962	386.038
Financial assets at fair value through profit or loss	20.019	-	-	-	20.019
Derivative financial instruments	-	-	2.464	-	2.464
Loans and advances to customers	498.381	500.536	7.530.414	-	8.529.331
Other financial assets	466	1.565	7.337	428	9.796
Total financial assets	**549.049**	**1.285.159**	**7.830.419**	**50.621**	**9.715.248**
Liabilities					
Deposits from banks	427.383	227.542	5.863.790	-	6.518.715
Due to customers	126.391	612.838	1.540.541	51.299	2.331.069
Financial liabilities at fair value through profit or loss	-	545	54.113	-	54.658
Derivative financial instruments	-	-	261	-	261
Debt securities in issue	9.128	31.155	47.018	-	87.301
Other financial liabilities	26.812	20.120	54.343	471	101.746
Subordinated debt	-	-	100.471	-	100.471
Total financial liabilities	**589.714**	**892.200**	**7.660.537**	**51.770**	**9.194.221**
Net on-balance sheet position	**(40.665)**	**392.959**	**169.882**	**(1.149)**	**521.027**
Off-balance sheet commitments	**82.974**	**33.387**	**197.590**	**1.558**	**315.509**
At 31 December 2013					
Assets					
Cash and balances with central banks	187	115.540	906	80	116.713
Loans and advances to banks	32.153	5.958	1.049.168	6.046	1.093.325
Financial assets at fair value through profit or loss	123.292	-	1.054.770	-	1.178.062
Derivative financial instruments	-	-	1.840	-	1.840
Loans and advances to customers	2.376.421	568.778	5.848.144	5.648	8.798.991
Other financial assets	74	2.181	10.533	538	13.326
Total financial assets	**2.532.127**	**692.457**	**7.965.361**	**12.312**	**11.202.257**
Liabilities					
Deposits from banks	2.259.352	162.123	5.590.173	-	8.011.648
Due to customers	108.471	750.063	1.480.893	45.629	2.385.056
Financial liabilities at fair value through profit or loss	-	26.482	71.017	-	97.499
Derivative financial instruments	-	-	1.253	-	1.253
Debt securities in issue	14.508	45.634	40.718	6.276	107.136
Other financial liabilities	6.388	16.407	117.970	254	141.019
Subordinated debt	-	-	100.511	-	100.511
Total financial liabilities	**2.388.719**	**1.000.709**	**7.402.535**	**52.159**	**10.844.122**
Net on-balance sheet position	**143.408**	**(308.252)**	**562.826**	**(39.847)**	**358.135**
Off-balance sheet commitments	**142.469**	**149.382**	**80.438**	**1.985**	**374.274**

The following table demonstrates the sensitivity to a reasonable possible change in foreign exchange rates with all other variables held constant on the Group's post tax profit (before the use of foreign exchange derivatives, Note 16).

Currency	Change in currency rate %	Effect on post tax profit US$000
2014		
RUR	+/-30	-/+10.674
EUR	+/-10	+/-34.384
Other	+/-10	-/+100
2013		
RUR	+/-10	+/-12.548
EUR	+/-10	-/+26.972
Other	+/-10	-/+3.487

As of 31 December 2014, the Group has significant exposures in relation to the Russian Rouble and the Euro (2013: Russian Rouble and the Euro). These exposures are hedged with the use of foreign exchange derivatives, as explained in Note 16.

4.3.3. Interest rate risk

Interest rate risk in the Group's trading book is the risk that changes in the market interest rates will adversely affect the value of the fixed income portfolio. Interest rate risk in the banking book (repricing risk) is the risk that arises from timing differences in the maturity (for fixed-rate instruments) and repricing (for floating-rate instruments) of the Group's assets, liabilities and off-balance sheet positions.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts categorised by the earlier of contractual repricing or maturity dates.

	Current to 1 month US$000	1 to 3 months US$000	3 to 6 months US$000	6 months to 1 year US$000	Over 1 year US$000	Overdue US$000	Non-interest bearing US$000	Total US$000
At 31 December 2014								
Assets								
Cash and loans and advances to banks and central banks	1.123.673	9.287	-	6.319	12.000	-	2.359	1.153.638
Financial assets at fair value through profit or loss	20.019	-	-	-	-	-	-	20.019
Derivatives	-	-	-	-	-	-	2.464	2.464
Loans and advances to customers	2.296.868	512.773	377.535	1.219.532	4.088.960	33.663	-	8.529.331
Other financial assets	-	-	-	-	-	-	9.796	9.796
Total financial assets	**3.440.560**	**522.060**	**377.535**	**1.225.851**	**4.100.960**	**33.663**	**14.619**	**9.715.248**

Continued on next page.

	Current to 1 month US$000	1 to 3 months US$000	3 to 6 months US$000	6 months to 1 year US$000	Over 1 year US$000	Overdue US$000	Non-interest bearing US$000	Total US$000
At 31 December 2014								
Liabilities								
Deposits from banks	6.140.905	28.474	-	214.886	134.450	-	-	6.518.715
Due to customers	1.175.378	115.079	73.060	789.808	177.744	-	-	2.331.069
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-	54.658	54.658
Derivatives	-	-	-	-	-	-	261	261
Debt securities in issue	2.050	2.838	1.841	59.461	21.111	-	-	87.301
Other financial liabilities	-	-	-	-	-	-	101.746	101.746
Subordinated debt	-	471	-	-	100.000	-	-	100.471
Total financial liabilities	**7.318.333**	**146.862**	**74.901**	**1.064.155**	**433.305**	**-**	**156.665**	**9.194.221**
Net interest sensitivity gap	**(3.877.773)**	**375.198**	**302.634**	**161.696**	**3.667.655**	**33.663**	**(142.046)**	**521.027**
At 31 December 2013								
Total financial assets	4.457.979	482.764	432.960	3.491.139	1.380.705	939.400	17.310	11.202.257
Total financial liabilities	8.156.012	221.693	89.202	719.465	601.411	914.067	142.272	10.844.122
Net interest sensitivity gap	**(3.698.033)**	**261.071**	**343.758**	**2.771.674**	**779.294**	**25.333**	**(124.962)**	**358.135**

The interest rate risk associated with the financial instruments is appropriately mitigated for the purposes of interest rate and liquidity risk management as well as regulatory compliance since the structures of irrevocable funded guarantees in place against the assets effectively equal those of cash collateral.

The following table demonstrates the sensitivity on the Group's post-tax profit to a reasonably possible change in interest rates, with all other variables held constant.

The sensitivity of the Group's post tax profit is the effect of changes in interest rates which are reasonably possible at the reporting dates which arises on floating rate financial assets and financial liabilities as at 31 December 2014 and 2013.

Sensitivity as of 31 December 2014

Currency	**Increase/decrease in basis points 2014**	**Sensitivity of profit after tax 2014 US$000**
USD	+/-100	+/-14.983

Sensitivity as of 31 December 2013

Currency	Increase/decrease in basis points 2013	Sensitivity of profit after tax 2013 US$000
USD	+/-100	+/-17.933

4.4. Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, the Treasury Department monitors the liquidity of the Group on a daily basis by:

- Managing future cash flows to ensure that requirements are met;
- Maintaining a portfolio of highly marketable securities that can easily be liquidated against any unforeseen interruption to cash flow; and
- Managing balance sheet liquidity ratios against internal and regulatory requirements.

The expected cash outflows match in general with the expected cash inflows from assets.

The table below presents the undiscounted cash flows payable by the Group under non-derivative financial liabilities by remaining contractual maturities at the balance sheet date. Financial liabilities at fair value through profit or loss are disclosed within "Up to 1 month" category.

	Up to 1 month US$000	1-3 months US$000	3-12 months US$000	Over 1 year US$000	Total US$000
At 31 December 2014					
Financial liabilities					
Deposits from banks	6.143.840	28.567	231.784	521.411	6.925.602
Due to customers	1.175.650	115.558	885.457	196.958	2.373.623
Financial liabilities at fair value through profit or loss	54.658	-	-	-	54.658
Debt securities in issue	2.050	2.857	63.177	24.320	92.404
Other financial liabilities	77.701	44	1.108	22.893	101.746
Subordinated debt	-	1.768	5.303	124.745	131.816
Total financial liabilities	**7.453.899**	**148.794**	**1.186.829**	**890.327**	**9.679.849**
At 31 December 2013					
Financial liabilities					
Deposits from banks	7.883.700	62.269	-	87.051	8.033.020
Due to customers	1.080.637	158.598	774.950	456.580	2.470.765
Financial liabilities at fair value through profit or loss	97.499	-	-	-	97.499
Debt securities in issue	12.825	1.893	71.781	27.651	114.150
Other financial liabilities	103.267	92	2.065	35.595	141.019
Subordinated debt	-	511	1.022	137.902	139.435
Total financial liabilities	**9.177.928**	**223.363**	**849.818**	**744.779**	**10.995.888**

4.5. Derivative financial instruments

The table below analyses the Group's derivative financial instruments into relevant maturity groupings based on the remaining period at the date of the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. These include foreign currency derivatives.

	Up to 1 month US$000	1-3 months US$000	3-12months US$000	Over 1 year US$000	Total US$000
At 31 December 2014					
Gross settled foreign exchange derivatives:					
- Inflow	566.916	-	-	-	566.916
- Outflow	(564.713)	-	-	-	(564.713)
Net settled foreign exchange derivatives:					
- Net inflow	-	-	-	-	-
Total inflow	**566.916**	**-**	**-**	**-**	**566.916**
Total outflow	**(564.713)**	**-**	**-**	**-**	**(564.713)**
At 31 December 2013					
Gross settled foreign exchange derivatives:					
- Inflow	507.578	-	-	-	507.578
- Outflow	(507.057)	-	-	-	(507.057)
Net settled foreign exchange derivatives:					
- Net inflow	-	21	45	-	66
Total inflow	**507.578**	**21**	**45**	**-**	**507.644**
Total outflow	**(507.057)**	**-**	**-**	**-**	**(507.057)**

4.6. Off-balance sheet items

A. Loan commitments

The dates of the contractual amounts of the Group's off-balance sheet financial instruments that it commits to extend credit to customers and other facilities (Note 29) are summarised in the table below.

B. Other credit related commitments

Other credit related commitments (Note 29) are also included in the table below, based on the earliest contractual maturity date.

C. Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases, as disclosed in Note 29, are summarised in the table below.

The table below summarises the Group's contractual undiscounted cash flows arising from off-balance sheet items.

	Up to 1 month US$000	1-3 months US$000	3-12 months US$000	Over 1 year US$000	Total US$000
At 31 December 2014					
Loan commitments	300.275	-	-	-	300.275
Financial guarantees	15.234	-	-	-	15.234
Operating lease commitments	291	849	3.150	12.464	16.754
Total	**315.800**	**849**	**3.150**	**12.464**	**332.263**

Continued on next page.

	Up to 1 month US$000	1-3 months US$000	3-12 months US$000	Over 1 year US$000	Total US$000
At 31 December 2013					
Loan commitments	350.944	-	-	-	350.944
Financial guarantees	23.330	-	-	-	23.330
Operating lease commitments	750	1.745	7.166	28.354	38.015
Total	**375.024**	**1.745**	**7.166**	**28.354**	**412.289**

4.7. Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. In 2014 and 2013, the Group was managing operational risk through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

4.8. Fair values

The table below summarises the carrying amounts and fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value.

	Carrying value		Fair value	
	2014 US$000	2013 US$000	2014 US$000	2013 US$000
Financial assets				
Balances with central banks	765.241	114.569	765.241	114.569
Loans and advances to banks	386.038	1.093.325	386.038	1.093.325
Loans and advances to customers	8.529.331	8.798.991	8.526.641	8.793.169
Other financial assets	9.796	13.326	9.796	13.326
Financial liabilities				
Deposits from banks	6.518.715	8.011.648	6.518.715	8.011.648
Due to customers	2.331.069	2.385.056	2.332.942	2.385.056
Debt securities in issue	87.301	107.136	87.301	107.136
Other financial liabilities	101.746	141.019	101.746	141.019
Subordinated debt	100.471	100.511	100.471	100.511

I. **Due from other banks**

Due from other banks includes inter-bank placements and items in the course of collection.

The fair value of floating rate placements and overnight deposits equals their carrying amount. The estimated fair value of fixed interest bearing placements is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and remaining maturity. According to their valuation method are included in level 3.

II. **Loans and advances to customers**

Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received and according to their valuation method are included in level 3. Expected cash flows are discounted at current market rates to determine fair value.

III. Due to other banks and customers

The estimated fair value of deposits with no stated maturity is the amount repayable on demand.

The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using interest rates for new debts with similar remaining maturity. According to their valuation method are included in level 3. The fair value of amounts due to banks approximates their carrying value.

IV. Debt securities in issue and subordinated debt

The aggregate fair values are calculated using discounted cash flow models based on a current yield curve appropriate for the remaining term to maturity. According to their valuation method are included in level 3. The fair value of debt securities in issue and subordinated debt approximates their carrying values.

The table below analyses financial instruments carried at fair value by valuation method.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

	Level 1 US$000	Level 2 US$000	Level 3 US$000	Total US$000
Assets				
At 31 December 2014				
Financial assets at fair value through profit or loss:				
- Debt instruments held-for-trading	20.019	-	-	20.019
- Derivatives	-	2.464	-	2.464
Total assets measured at fair value	**20.019**	**2.464**	**-**	**22.483**
At 31 December 2013				
Financial assets at fair value through profit or loss:				
- Debt instruments held-for-trading	202.258	943.369	-	1.145.627
- Derivatives	-	1.840	-	1.840
- Debt securities pledged under repurchase agreements	32.435	-	-	32.435
Total assets measured at fair value	**234.693**	**945.209**	**-**	**1.179.902**
Liabilities				
At 31 December 2014				
Financial liabilities at fair value through profit or loss:				
-Short positions in debt instruments	54.658	-	-	54.658
-Derivatives	-	261	-	261
Total liabilities measured at fair value	**54.658**	**261**	**-**	**54.919**
At 31 December 2013				
Financial liabilities at fair value through profit or loss:				
-Short positions in debt instruments	97.499	-	-	97.499
-Derivatives	-	1.253	-	1.253
Total liabilities measured at fair value	**97.499**	**1.253**	**-**	**98.752**

The determination of the fair values of debt instruments held-for-trading and derivative financial instruments are disclosed in Notes 15 and 16 respectively.

4.9. Offsetting financial assets and liabilities

The Group did not offset any financial assets or financial liabilities under enforceable master netting arrangements or any similar agreements.

4.10. Capital risk management

The Group's objectives when managing regulatory capital are:

- to comply with the capital requirements set by the Central Bank of Cyprus and the European Central Bank;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

In order to evaluate the capital level which is sufficient in relation to the risks to which the institution is exposed, the Group has adopted the Internal Capital Adequacy Assessment Process (ICAAP).

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee and the European Community Directives, as implemented by the Central Bank of Cyprus (the Authority), for supervisory purposes. The required information is filed with the Authority on a quarterly basis.

The Authority requires the Bank to: (a) have minimum initial capital of EUR5.125.804 and (b) maintain a minimum regulatory ratio of total regulatory capital to risk-weighted assets.

The Group's regulatory capital as managed by its Risk Management Department is divided into two tiers, the main components of which are:

- Tier 1 capital: share capital, share premium, retained earnings and reserves created by appropriations of retained earnings. The book value of intangible assets is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: capital instruments, subordinated loan and share premium resulting from the issue of instruments included in Tier 2 capital, provided that they meet specific regulatory requirements.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral guarantees or other risk mitigant. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarises the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2014 and 2013. During those two years, the Group complied with all of the externally imposed capital requirements to which it was subject.

	2014 US$000	2013 US$000
Tier 1 capital		
Share capital	23.308	18.070
Share premium	150.710	31.726
Retained earnings	330.359	330.359
Less: intangible assets	(1.913)	(2.885)
Total qualifying Tier 1 capital	**502.464**	**377.270**

Continued on next page.

	2014 US$000	2013 US$000
Tier 2 capital		
Subordinated loan capital	88.603	100.000
Total qualifying Tier 2 capital	88.603	100.000
Total regulatory capital	591.067	477.270
Risk-weighted assets	**2.404.895**	**2.247.526**
Capital adequacy ratio	**24,6%**	**21,2%**

As of 31 December 2014, share capital and share premium include the Bank's newly issued ordinary shares (Note 28). The regulatory approval for the inclusion of these instruments into Tier 1 capital of the Bank is currently in process and is expected to be finalised shortly after the issuance of these financial statements.

4.11. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables US$000	Assets at fair value through profit or loss US$000	Total US$000
At 31 December 2014			
Assets as per balance sheet			
Cash and balances with central banks	767.600	-	767.600
Loans and advances to banks	386.038	-	386.038
Financial assets at fair value through profit or loss	-	20.019	20.019
Derivative financial instruments	-	2.464	2.464
Loans and advances to customers	8.529.331	-	8.529.331
Other financial assets	9.796	-	9.796
Total	**9.692.765**	**22.483**	**9.715.248**
	Liabilities at fair value through profit or loss US$000	Other financial liabilities US$000	Total US$000
At 31 December 2014			
Liabilities as per balance sheet			
Deposits from banks	-	6.518.715	6.518.715
Due to customers	-	2.331.069	2.331.069
Financial liabilities at fair value through profit or loss	54.658	-	54.658
Derivative financial instruments	261	-	261
Debt securities in issue	-	87.301	87.301
Other financial liabilities	-	101.746	101.746
Subordinated debt	-	100.471	100.471
Total	**54.919**	**9.139.302**	**9.194.221**

Continued on next page.

	Loans and receivables US$000	Assets at fair value through profit or loss US$000	Total US$000
At 31 December 2013			
Assets as per balance sheet			
Cash and balances with central banks	116.713	-	116.713
Loans and advances to banks	1.093.325	-	1.093.325
Financial assets at fair value through profit or loss	-	1.178.062	1.178.062
Derivative financial instruments	-	1.840	1.840
Loans and advances to customers	8.798.991	-	8.798.991
Other financial assets	13.326	-	13.326
Total	**10.022.355**	**1.179.902**	**11.202.257**

	Liabilities at fair value through profit or loss US$000	Other financial liabilities US$000	Total US$000
At 31 December 2013			
Liabilities as per balance sheet			
Deposits from banks	-	8.011.648	8.011.648
Due to customers	-	2.385.056	2.385.056
Financial liabilities at fair value through profit or loss	97.499	-	97.499
Derivative financial instruments	1.253	-	1.253
Debt securities in issue	-	107.136	107.136
Other financial liabilities	-	141.019	141.019
Subordinated debt	-	100.511	100.511
Total	**98.752**	**10.745.370**	**10.844.122**

4.12. Transfers of financial assets

A. Repurchase and Securities lending transactions

At 31 December 2014, the Group had debt securities held-for-trading amounting to US$Nil (2013: US$32.435 thousand) pledged under repurchase transactions (Note 15), for which the carrying amount of the associated liability was equal US$Nil (2013: US$28.363 thousand).

B. Loans

At 31 December 2014, the Group had loans granted to customers carried at amortised cost amounting to US$1.147.344 thousand (2013: US$2.457.859 thousand) that were issued under participation agreements under which the Group retained the right to the contractual cash flows but undertook the obligation to pay the cash flows to other parties. These were not derecognised as some of the pass-through arrangement conditions were not met. The Group is not exposed to credit risk as this has been transferred to the participants. At 31 December 2014, the related liabilities amounting to US$1.147.344 thousand (2013: US$2.457.859 thousand) were recognised as deposits from banks and due to customers.

5. Critical accounting estimates and judgements

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

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

- **Fair value of financial instruments**
  The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each balance sheet date. The method of the valuation of such instruments is disclosed in Note 15 of the consolidated financial statements.

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

6. Net interest income

	Note	2014 US$000	2013 US$000
Interest income			
Balances with central banks		161	795
Loans and advances to banks and customers		411.102	959.279
		411.263	**960.074**
Interest expense			
Deposits from banks and due to customers		255.336	816.019
Debt securities in issue		4.862	4.153
Subordinated debt	27	7.168	7.168
		267.366	**827.340**

Interest income includes US$2.854 thousand (2013: US$3.956 thousand), recognised on impaired loans to customers.

7. Loan impairment charges

	Note	2014 US$000	2013 US$000
Loans and advances to customers			
Net increase in impairment	17	9.713	12.873

8. Net fee and commission income

	2014 US$000	2013 US$000
Fee and commission income		
Commission income on cash collection and settlement operations	3.272	4.024
Commission income on depository services*	2.560	4.328
Commission income on operations with securities	1.012	2.187
Fees on guarantees issued	242	610
Other commission income	8.673	1.010
	15.759	**12.159**
Fee and commission expense		
Commission expense on settlement operations	481	510
Commission expense on depository services*	226	2.889
Commission expense on operations with securities	20	37
Other commission expense	100	-
	827	**3.436**

* The Group provides services in a custodian and fiduciary capacity to third parties. Assets held in a fiduciary capacity are not included in these consolidated financial statements. At the balance sheet date the Group had fiduciary accounts amounting to a nominal value of US$763.596 thousand (2013: US$3.089.038 thousand).

9. Other gains-net

	2014 US$000	2013 US$000
Net gains/(losses) on financial assets held-for-trading:		
- Debt securities and credit linked notes	6.186	94.061
- Equity securities	-	(2.306)
- Trading credit products	73.603	76.790
Foreign exchange transaction gains less losses	(4.571)	(9.613)
Other	30	111
	75.248	**159.043**

The foreign exchange losses which arose during the years ended 31 December 2014 and 31 December 2013 were mainly due to the use of foreign exchange derivative contracts to mitigate the risk of currency exposures mainly in Russian Rouble instead of obtaining additional funding in Russian Rouble at higher interest rates.

10. Operating expenses

	Note	2014 US$000	2013 US$000
Depreciation of plant and equipment	18	3.066	2.933
Amortisation of intangible assets	19	1.089	1.110
Profit on sale of plant and equipment	18	(8)	(26)
Operating lease rentals		2.144	1.719
Professional and travelling services		100.526	83.679
Auditor's remuneration-statutory audit firm		469	312
Staff costs	11	49.570	55.903
Taxes other than income tax		4.134	11.285
Advertising, promotion and donations		4.531	7.836
Post and telecommunication expenses		1.233	1.132
Other expenses		6.004	5.196
		172.758	**171.079**

The professional services stated above include fees of US$57 thousand (2013: US$59 thousand) for tax consultancy and compliance services, and US$703 thousand (2013: US$430 thousand) for other non-assurance services charged by the Group's statutory audit firm.

11. Staff costs

	2014 US$000	2013 US$000
Salaries and fees	43.136	49.533
Social insurance and other contributions	2.597	2.910
Provident and indemnity fund contributions	2.456	2.313
Medical fund	1.065	896
Other staff costs	316	251
	49.570	**55.903**

12. Income tax expense

	Note	2014 US$000	2013 US$000
Current tax:			
- Corporation tax		10.543	16.070
Deferred tax	20	(26)	(126)
		10.517	**15.944**

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

	2014 US$000	2013 US$000
Profit before tax	**51.606**	**116.548**
Tax calculated at the applicable corporation tax rates	6.590	14.569
Tax effect of expenses not deductible for tax purposes	5.472	4.302
Tax effect of allowances and income not subject to tax	(1.545)	(2.927)
Income tax charge	**10.517**	**15.944**

The Bank is subject to Cyprus income tax on taxable profits at the rate of 12,5% as from 1 January 2013.

Under certain conditions, interest may be exempt from Cyprus income tax and be subject only to special contribution for defence at the rate of 10%; increased to 15% as from 31 August 2011, and to 30% as from 29 April 2013.

In certain cases dividends received from abroad may be subject to Cyprus special contribution for defence at the rate of 20% as from 1 January 2012; reduced to 17% as from 1 January 2014. In certain cases, dividends received from 1 January 2012 onwards from other Cyprus tax resident companies may also be subject to special contribution for defence.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

The Luxembourg branch of the Bank is subject to Luxembourg corporate income tax at the rate of 22,47% and to Luxembourg municipal business tax at the rate of 6,75% (i.e. effective combined rate of 29,22% on its taxable profits). The Luxembourg branch is also subject to net wealth tax at the rate of 0,5% on the difference between the assets and the liabilities with third parties.

13. Cash and balances with central banks

	Note	2014 US$000	2013 US$000
Cash in hand		2.359	2.144
Balances with central banks other than mandatory reserve deposits		708.312	5.774
Included in cash and cash equivalents	30	710.671	7.918
Mandatory reserve deposits with central banks		56.929	108.795
		767.600	**116.713**

All cash and balances with central banks are expected to be recovered within twelve months of the balance sheet date with the exception of US$122 thousand (2013: US$5.193 thousand) which is expected to be recovered after twelve months of the balance sheet date.

Mandatory reserve deposits are not available for use in the Group's day to day operations. The mandatory reserve deposits with the Central Bank of Cyprus are interest bearing.

14. Loans and advances to banks

	Note	2014 US$000	2013 US$000
Amounts in course of collection from other banks	30	188.836	218.516
Loans and advances to other banks		197.202	874.809
		386.038	**1.093.325**

All loans and advances to banks are expected to be recovered within twelve months of the balance sheet date with the exception of US$11.886 thousand (2013: US$20.432 thousand) which is expected to be recovered after twelve months of the balance sheet date.

15. Financial assets at fair value through profit or loss

	2014 US$000	2013 US$000
Financial assets held-for-trading:		
Debt securities	20.019	202.258
Trading credit products	-	943.369
	20.019	**1.145.627**
Financial assets pledged under repurchase agreements and loaned financial assets held-for-trading:		
Debt securities pledged under repurchase agreements	-	32.435
	-	**32.435**
Total held-for-trading	**20.019**	**1.178.062**

All financial assets at fair value through profit or loss are expected to be recovered within twelve months of the balance sheet date.

The fair value of debt securities is based on their current bid prices in an active market. The fair value of debt instruments included in Level 2 of the fair value hierarchy (Note 4.8) which are not traded in an active market is determined as the higher of the amount secured by bank guarantees and the value determined applying a valuation model which estimates the present value of expected cash flows using inputs at the balance sheet date from observable market data, such as market available credit default swap spreads of a referenced entity, prevailing interest rate levels, probability of default and recovery in the event of default. This data is fed into industry standard models in order to derive the fair value of the instruments.

Financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in operating assets in the consolidated statement of cash flows.

Net gains on financial assets at fair value through profit or loss are recorded in 'other gains-net' (Note 9).

16. Derivative financial instruments

The Group uses currency derivative instruments for hedging its exposure to Russian Roubles and Euro and also at the request of its clients. The latter are hedged by entering into equivalent currency derivative contracts with the same but opposite terms with other parties.

Currency derivatives represent commitments to purchase foreign and domestic currency.

The notional amounts of currency derivative contracts provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The fair value of the currency derivative contracts is determined using inputs from observable market data, such as the current forward exchange rates, and after applying discounting to the estimated future cash flows. The notional amounts as well as the fair value of these contracts are set out below.

	Contract/notional amount US$000	Assets US$000	Liabilities US$000
At 31 December 2014			
Trading derivatives:			
- Currency derivatives	566.916/564.713	2.464	261
At 31 December 2013			
Trading derivatives:			
- Currency derivatives	528.712/528.116	1.840	1.253

All assets and liabilities on trading derivatives are expected to be recovered/settled within twelve months of the balance sheet date.

17. Loans and advances to customers

	2014 US$000	2013 US$000
Gross loans and advances		
Legal entities by purpose of facility:		
Project finance	484.662	334.503
Current activity financing	4.233.343	6.586.776
Reverse repurchase agreements	128.362	87.077
Other	3.483.697	1.508.344
Total gross loans to legal entities	**8.330.064**	**8.516.700**
Individuals by purpose of facility:		
Mortgage	30.492	31.743
Reverse repurchase agreements	69	574
Other	192.357	270.736
Total gross loans to individuals	**222.918**	**303.053**
Total gross loans and advances	**8.552.982**	**8.819.753**
Less: Provision for loan losses		
Legal entities by purpose of facility:		
Project finance	(7.682)	(13.713)
Current activity financing	(15.239)	(3.267)
Other	-	(3.159)
Total provision for loan losses for legal entities	**(22.921)**	**(20.139)**
Individuals by purpose of facility:		
Mortgage	(479)	(515)
Other	(251)	(108)
Total provision for loan losses for individuals	**(730)**	**(623)**
Total provision for loan losses	**(23.651)**	**(20.762)**
Net loans and advances to customers		
Legal entities by purpose of facility:		
Project finance	476.980	320.790
Current activity financing	4.218.104	6.583.509
Reverse repurchase agreements	128.362	87.077
Other	3.483.697	1.505.185
Total net loans to legal entities	**8.307.143**	**8.496.561**
Individuals by purpose of facility:		
Mortgage	30.013	31.228
Reverse repurchase agreements	69	574
Other	192.106	270.628
Total net loans to individuals	**222.188**	**302.430**
Net loans and advances to customers	**8.529.331**	**8.798.991**
Current	2.391.208	4.347.562
Non-current	6.138.123	4.451.429
	8.529.331	**8.798.991**

Reverse repurchase agreements comprise agreements with clients for resale of securities. The Group has an obligation to return the securities to the clients on maturity of the agreements but it is permitted by the terms of the agreements to sell or repledge the collateral in the absence of default by the owner. The fair value of the securities held as collateral on 31 December 2014 is US$149.874 thousand (2013: US$93.163 thousand).

Included in loans and advances to customers are loans amounting to US$5.647.081 thousand (2013: US$4.977.595 thousand) which are covered by guarantees from the largest shareholder (Note 31).

Movement in allowance for losses on loans and advances to customers

	Note	2014 US$000	2013 US$000
At 1 January:			
Legal entities by purpose of facility:			
Project finance		13.713	3.212
Current activity finance		3.267	1.321
Other		3.159	3.159
Individuals by purpose of facility:			
Mortgage		515	-
Other		108	45
Total at 1 January		**20.762**	**7.737**
Movement for the year:			
Increase/(decrease) in impairment allowance:			
Legal entities - project finance		(2.818)	10.501
Legal entities - current activity financing		12.360	1.794
Individuals - mortgage		28	515
Individuals - other		143	63
Loan impairment charges	7	**9.713**	**12.873**
Foreign exchange gains less losses		**(453)**	**152**
Written-off during the year:			
Legal entities - project finance		(3.213)	-
Legal entities - other		(3.158)	-
		(6.371)	**-**
At 31 December:			
Legal entities by purpose of facility:			
Project finance		7.682	13.713
Current activity finance		15.239	3.267
Other		-	3.159
Individuals by purpose of facility:			
Mortgage		479	515
Other		251	108
Total at 31 December		**23.651**	**20.762**

18. Property, plant and equipment

	Note	Land and buildings US$000	Furniture and equipment US$000	Motor vehicles US$000	Total US$000
At 1 January 2013					
Cost		20.916	5.698	1.699	28.313
Accumulated depreciation		(2.010)	(2.932)	(565)	(5.507)
Net book amount		**18.906**	**2.766**	**1.134**	**22.806**
Year ended 31 December 2013					
Opening net book amount		18.906	2.766	1.134	22.806
Additions		1.607	659	540	2.806
Disposals		-	(7)	(61)	(68)
Depreciation charge	10	(1.671)	(904)	(358)	(2.933)
Closing net book amount		**18.842**	**2.514**	**1.255**	**22.611**
At 31 December 2013					
Cost		22.523	6.208	2.005	30.736
Accumulated depreciation		(3.681)	(3.694)	(750)	(8.125)
Net book amount		**18.842**	**2.514**	**1.255**	**22.611**
Year ended 31 December 2014					
Opening net book amount		18.842	2.514	1.255	22.611
Additions		4.050	2.430	265	6.745
Disposals		-	-	(2)	(2)
Depreciation charge	10	(1.805)	(894)	(367)	(3.066)
Closing net book amount		**21.087**	**4.050**	**1.151**	**26.288**
At 31 December 2014					
Cost		26.573	8.638	2.236	37.447
Accumulated depreciation		(5.486)	(4.588)	(1.085)	(11.159)
Net book amount		**21.087**	**4.050**	**1.151**	**26.288**

In the consolidated statement of cash flows, proceeds from sale of plant and equipment comprise:

	Note	2014 US$000	2013 US$000
Net book amount		2	68
Profit on sale of plant and equipment	10	8	26
Proceeds from sale of plant and equipment		**10**	**94**

As at 31 December 2014 and 2013 the carrying amount of the land and buildings which are carried at fair value approximates the carrying amount had the historical cost basis been used instead of the fair value basis. The fair value is determined by reference to the most recent arm's length transactions with third parties on the acquisition of these properties and market based evidence which indicates that there were no significant movements in fair value since the occurrence of these transactions. The land and buildings are categorised as Level 2 in the fair value hierarchy.

19. Intangible assets

	Note	Computer Software US$000
At 1 January 2013		
Cost		6.330
Accumulated amortisation		(2.793)
Net book amount		**3.537**
Year ended 31 December 2013		
Opening net book amount		3.537
Additions		458
Amortisation charge	10	(1.110)
Closing net book amount		**2.885**
At 31 December 2013		
Cost		6.788
Accumulated amortisation		(3.903)
Net book amount		**2.885**
Year ended 31 December 2014		
Opening net book amount		2.885
Additions		117
Amortisation charge	10	(1.089)
Closing net book amount		**1.913**
At 31 December 2014		
Cost		6.905
Accumulated amortisation		(4.992)
Net book amount		**1.913**

20. Deferred income tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2014 US$000	2013 US$000
Deferred income tax assets:		
Deferred income asset tax to be recovered after more than 12 months	243	217
Deferred income tax assets	243	217

The gross movement on the deferred income tax account is as follows:

	Note	2014 US$000	2013 US$000
At 1 January		217	91
Profit or loss credit	12	26	126
At 31 December		**243**	**217**

The movement on the deferred income tax assets during the year which arise from the difference between depreciation and wear and tear allowance is as follows:

Deferred tax assets	Total US$000
At 1 January 2013	91
Credited to profit or loss	126
At 31 December 2013/1 January 2014	217
Credited to profit or loss	26
At 31 December 2014	**243**

21. Other assets

	2014 US$000	2013 US$000
Other receivables	10.006	13.317
Prepayments	5.109	8.556
	15.115	**21.873**
Financial assets	9.796	13.326
Non-financial assets	5.319	8.547
	15.115	**21.873**

All other assets are expected to be recovered within twelve months of the balance sheet date. They are neither past due nor impaired and the counterparties had no default in the past.

22. Deposits from banks

	2014 US$000	2013 US$000
Deposits from other banks	6.518.715	7.983.285
Sale and repurchase agreements with other banks	-	28.363
	6.518.715	**8.011.648**
Current	6.384.265	7.940.061
Non-current	134.450	71.587
	6.518.715	**8.011.648**

23. Due to customers

	2014 US$000	2013 US$000
Demand deposits	914.290	952.411
Fixed term deposits	733.509	579.628
Pledged deposits	683.270	853.017
	2.331.069	**2.385.056**
Current	2.153.325	1.977.964
Non-current	177.744	407.092
	2.331.069	**2.385.056**

Pledged deposits are held as collateral for credit facilities granted or guarantees issued to customers.

24. Financial liabilities at fair value through profit or loss

	2014 US$000	2013 US$000
Financial liabilities held-for-trading:		
- Obligation on delivery of securities which were sold (short positions on securities)	**54.658**	**97.499**

All financial liabilities at fair value through profit or loss are due within twelve months of the balance sheet date.

25. Debt securities in issue

	2014 US$000	2013 US$000
Promissory notes issued	**87.301**	**107.136**
Current	66.190	84.404
Non-current	21.111	22.732
	87.301	**107.136**

26. Other liabilities

	2014 US$000	2013 US$000
Amounts in course of settlement	79.938	125.764
Accruals and provisions	7.797	8.519
Other payables	21.727	16.047
	109.462	**150.330**
Financial liabilities	101.746	141.022
Non-financial liabilities	7.716	9.308
	109.462	**150.330**
Current	86.569	114.736
Non-current	22.893	35.594
	109.462	**150.330**

27. Subordinated debt

	Note	2014 US$000	2013 US$000
At 1 January		**100.511**	**100.511**
Interest expense	6	7.168	7.168
Repayments of interest		(7.208)	(7.168)
At 31 December		**100.471**	**100.511**
Current		471	511
Non-current		100.000	100.000
		100.471	**100.511**

The subordinated debt was granted by the largest shareholder, carries a fixed interest rate of 7,07% per annum and is repayable in June 2019. The debt ranks after all other creditors in the case of liquidation.

28. Share capital and share premium

	2014				2013			
	Number of shares	Share capital €000	Share capital US$000	Share premium US$000	Number of shares	Share capital €000	Share capital US$000	Share premium US$000
Authorised								
Ordinary shares of €1,71 each	10 801 469	18.471			8 333 333	14.250		
Issued and fully paid								
At 1 January	8 333 333	14.250	18.070	31.726	8 333 333	14.250	18.070	31.726
Issue of share capital	2 468 136	4.221	5.238	118.984	-	-	-	-
At 31 December	10 801 469	18.471	23.308	150.710	8 333 333	14.250	18.070	31.726

On 24 November 2014, the Bank issued 2.468.136 shares of €1,71 each for a total consideration of US$124.222 thousand (US$50,33 per share) giving rise to a share premium of US$118.984 thousand. 2.144.092 shares were issued to a new shareholder, Otkritie FC Bank, and the remaining 324.044 shares were issued to the existing minority shareholder. Each ordinary share carries one vote.

29. Contingent liabilities and commitments

A. Legal proceedings

As at 31 December 2014 and 31 December 2013 there were pending claims against the Bank from former employees. Based on legal advice, the Bank's Board of Directors believes that there is sufficient defence against these claims and no significant loss is expected to arise for the Group. Therefore no provision has been made in the consolidated financial statements in relation to these claims.

B. Credit related commitments

The primary purpose of these instruments is to ensure that funds are available to customers as required. Guarantees, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

	2014 US$000	2013 US$000
Guarantees issued	15.234	23.330
Commitments to extend credit:		
- Committed undrawn credit facilities	300.275	350.944
	315.509	**374.274**

Committed undrawn credit facilities amounting to US$300 million as of 31 December 2014 (2013: US$351 million) relate to loan facilities granted to clients.

C. Operating lease commitments - where the Group is the lessee

The lease expenditure charged in operating expenses during the year is disclosed in Note 10. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014 US$000	2013 US$000
Not later than 1 year	4.290	9.661
Later than 1 year and not later than 5 years	12.464	25.555
More than 5 years	-	2.799
	16.754	**38.015**

D. Capital commitments

At 31 December 2014, the Group had capital commitments amounting to US$Nil (2013: US$Nil).

E. Tax contingencies

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Russian transfer pricing legislation is to a large extent aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm's length basis. Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities.

The impact of any such challenges cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

30. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:

	Note	2014 US$000	2013 US$000
Cash and balances with central banks	13	710.671	7.918
Loans and advances to banks	14	188.836	218.516
		899.507	226.434

31. Related party transactions and balances

Up to 24 November 2014, the Group was controlled by JSC VTB Bank, which owned 60% of the Bank's ordinary shares. The Group's ultimate controlling party was the Russian Federation.

Since 24 November 2014 and following the issue of new shares (Note 28), the Group does not have a controlling party. JSC VTB Bank remains the largest shareholder whose shareholding stands at 46,29% as of 31 December 2014.

A number of banking transactions were entered into with related parties in the normal course of business. These included loans, deposit taking, trading securities, issue of guarantees and other banking services. The outstanding balances from related party transactions at the year end and the related income and expense arising from these transactions during the year are as follows:

	Parent Bank		Shareholders with significant influence		Common ownership companies		Directors and other key management personnel		Other related parties	
	2014 US$000	2013 US$000	2014 US$000	2013 US$000	2014 US$000	2013 US$000	2014 US$000	2013 US$000	2014 US$000	2013 US$000
Assets										
Loans and advances to banks	-	27.080	14.633	-	-	5.075	-	-	16.300	52
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	45.874
Financial assets at fair value through profit or loss covered by group guarantees	-	943.369	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	1.958	-	-	1.833	-	-	18	-
Loans and advances to customers	-	-	-	-	-	1.470.209	17	14.686	79.970	137.208
Loans covered by bank guarantees	-	4.977.595	5.647.081	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	3.484	-	280	-	6
Liabilities										
Deposits from banks	-	7.009.524	5.795.085	-	-	45	-	-	15	272.260
Due to customers	-	-	-	-	-	10.656	38.977	39.197	6.159	354
Derivative financial instruments	-	590	76	-	-	156	-	-	-	-
Other liabilities	-	237	145	-	-	209	-	-	-	-
Subordinated debt	-	100.511	100.471	-	-	-	-	-	-	-
Off balance sheet										
Letters of guarantee	-	20.797	243	-	-	1.656	-	-	2.168	-
Other credit related commitments	-	-	-	-	-	-	-	7.268	1.146	120.953
Consolidated statement of comprehensive income										
Interest income	1.573	3.140	177	-	68.503	108.466	283	660	17.847	18.672
Interest expense	156.426	598.116	9.981	-	23	31.339	1.494	2.662	532	40.667
Fee and commission income	191	284	-	-	-	16	-	6	-	-
Fee and commission expense	-	1.517	-	-	161	189	-	-	-	-
Net gains on financial assets classified as held for trading	-	-	-	-	-	677	-	-	232	73.855
Operating expenses	-	-	-	-	4.249	11.396	4.169	4.442	7.456	2.313

Up to 24 November 2014, balances with “other related parties” include balances with non-controlling interests of VTB group and related parties of the Russian Federation.

Since 24 November 2014 and following the issue of new shares, balances with “other related parties” include balances with controlling interests of VTB group. The balances with controlling interests of VTB group were previously presented as balances with “common ownership companies”.

Key management compensation

The compensation of key management and the close members of their families is as follows:

	2014 US$000	2013 US$000
Salaries and other short-term employee benefits	4.169	4.442

The total remuneration of the Directors (included in key management compensation above) was as follows:

	2014 US$000	2013 US$000
Fees	568	564
Emoluments in their executive capacity	3.243	3.764
Other short-term benefits	358	114
	4.169	**4.442**

32. Dividends per share

In December 2013, the Board of Directors approved a dividend payout out of reserves amounting to US$100.000.000 (US$12 per share). The dividend was paid in the same month.

As of the date of authorisation of these consolidated financial statements for issue, the Board of Directors recommends a dividend payout out of reserves amounting to US$40.000.000 (US$3,7032 per share). The remaining profit for the year is retained.

33. Events after the balance sheet date

There are no material events after the balance sheet date, which have a bearing on the understanding of the consolidated financial statements.

Independent Auditor’s Report on pages 09 to 10.

800 00722 | +357 25 355 722 | www.rcbcy.com

RCB BANK LTD. Private Company.
Registration number: 72376. Registered office: 2, Amathuntos street, 3105, Limassol, Cyprus.