

19 **FINANCIAL REPORT**

BELVNESHECONOMBANK

99

BALANCE SHEETas of January 1, 2000 BYB million (redenominated)**ASSETS**

1. Cash and precious metals	815,713.0
2. Funds in correspondent accounts with banks	3,203,914.6
3. Mandatory provisions	2,845,795.8
4. Loans and deposits to banks,	30,698,319.8
of these:	
- overdue and doubtful debts	-
5. Loans and advances to customers,	31,006,219.6
of these	
- overdue and doubtful debts	6,174,372.7
6. Securities	6,086,017.1
7. Long-term financial investments	507,378.4
8. Fixed assets and goodwill (less depreciation)	4,085,497.9
9. Other assets	4,013,594.9
Total assets	83,298,451.1

LIABILITIES

1. Funds of banks in correspondent accounts	3,980,677.5
2. Loans and deposit from banks (including NBB)	15,743,776.0
3. Customer accounts	37,392,932.4
4. Due from banks	402,381.2
5. Other liabilities	17,551,910.9
6. Capital and reserves:	8,226,733.1
- statutory capital	401,600.0
- bank reserves	762,091.0
- revaluation reserve	3,240,981.5
- retained profit (loss)	-
- other	3,822,100.2
Total liabilities	83,298,451.1

Notes: assets are stated less relevant provisions; statutory capital is stated in the amount registered

**according to the requirements of the National Bank of the Republic of Belarus*

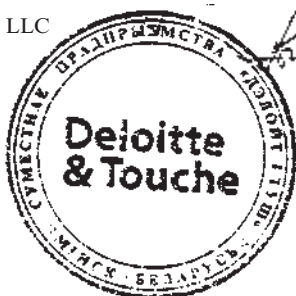
1999 PROFIT AND LOSS STATEMENTS *

INCOME	BYB million (redenominated)
1. Interest income	10,181,198.2
2. Fees and commission income	2,083,320.4
3. Profit on securities trading	881,000.7
4. Forex market and precious metals market income	7,009,632.9
5. Dividend received	2,053.7
6. Other income	615,547.2
7. Diminution of reserves	112,801.7
9. Extraordinary income	36.1
10. Other operating income	48,859.7
Total income	20,934,450.6
EXPENSE	
1. Interest expense	5,705,185.0
2. Fees and commission expenses	1,106,489.5
3. Losses on securities trading	206,641.6
4. Forex market and precious metals market losses	6,819,215.0
5. Other expenses	235,127.0
6. Other operating expenses	3,962,011.1
7. Provisioning	2,115,799.9
8. Extraordinary expenses	807.6
9. Income tax	233,135.5
Total expense	20,384,412.2
Profit	550,038.4

Georgy Egorov
Chairman of the Management Board

Zinaida Kushnerova
Financial Director-Chief Accountant

Yuri Sidorovich
Deloitte & Touche LLC



**according to the requirements of the National Bank of the Republic of Belarus*

THE SUPERVISORY BOARD AND BOARD OF DIRECTORS OF THE BANK

As of the date of signing of the financial statement the Supervisory Board and the Board of Directors consisted of the following individuals:

The Supervisory Board

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Leonid Kozik	Chairman of the Board; Autorised Representative of the Presedent of the Republic of Belarus, Deputy Orime minister of the Republic of Belarus	26/03/1999
Natalia Alekseyeva	Deputy Chairman of the Board; First Deputy Chairman of the Board of Directors of the National Bank of the Republic of Belarus	26/03/1999
Nikolai Rumas	Deputy Chairman of the Board; First Deputy Minister of Finance of the Republic of Belarus	26/03/1999
Valeri Semenov	Deputy Chairman of the Board	
Loran Arinich	Member of the Council	
Nikolai Beiko	Member of the Council	26/03/1999
Aleksey Vaganov	Member of the Council	26/03/1999
Zinaida Valeha	Member of the Council	26/03/1999
Yuri Deduk	Member of the Council	26/03/1999
Leonid Kalugin	Member of the Council	26/03/1999
Sergei Lykov	Member of the Council	26/03/1999
Valentin Moroz	Member of the Council	26/03/1999
Nikolai Patskevich	Member of the Council	26/03/1999
Konstantin Tschesnovitsky	Member of the Council	26/03/1999

The Board of Directors

<i>Name</i>	<i>Position</i>	<i>Date of appointment</i>
Georgi Egorov	President of the Bank; Chairman of the Board of Directors	26/03/1999
Iosif Manenok	Vice-President of the Bank; Deputy Chairman of the Board	26/03/1999
Yuri Tyavlovsky	Vice-President of the Bank; Head of the International Department	26/03/1999
Ludmila Filipovich	Vice-President of the Bank; Head of the Department Non-Trading Operations	26/03/1999
Sergei Scherbak	Vice-President of the Bank; Head of the Department of Exchange and Stock Operations	26/03/1999
Zinaida Kushnerova	Finance Director; Chief Accountant	26/03/1999
Anatoli Bondarev	Head of the Strategic Management Department	26/03/1999
Stepan Brishtele	Head of the Administration Department	26/03/1999
Natalia Pesotskaja	Head of the Operational Department	26/03/1999
Vitali Trushko	Head of the Banking Systems and Technology Department	26/03/1999
Grigori Tishkeviteh	Head of the Department of Construction, Design and Repair	26/03/1999
Svetlana Zhuravleva	Head of the Internal Audit Department	26/03/1999
Rostislav Krivitsky	Head of the Legal Department	26/03/1999
Mikhail Lesun	Head of Gomel Branch	26/03/1999

STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT

The management is responsible for the preparation of financial statements for each financial year. These must give a true and fair view of the state of affairs of Belvnesheconombank (the Bank) as of the end of each financial year and of the profit or loss and cash flows for that year. Management is required to prepare the financial statements on a going concern basis unless it is not appropriate.

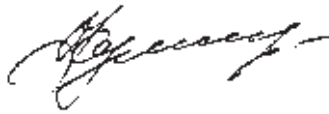
In preparing the consolidated financial statements on pages 7 through 33 for the years ended 31 December 2000 and 1999, management has used appropriate accounting policies, consistently applied and supported them by reasonable and prudent judgements and estimates, and ensured that all accounting standards which they consider significant have been followed.

Management has the responsibility for ensuring that the Bank keeps accounting records which disclose with reasonable accuracy the financial position of the Bank and which enable them to ensure that the financial statements comply, in all material respects, with the National bank's regulations on Annual Reports of Credit Institutions. Management also has a general responsibility for taking such steps as are reasonably necessary to safeguard the assets of the Bank and to prevent and detect fraud and other irregularities.

On behalf of the management



Chairman of the
Board of Directors
Georgi Egorov



Chief Accountant
Zinaida Kushnerova

INDEPENDENT AUDITORS' REPORT

To the shareholders of Belvnesheconombank:

We have audited the accompanying balance sheets of Open Joint-Stock Company Belvnesheconombank ("the Bank") as of December 31, 1999 and 1998, and the related statements of profit and loss, shareholders' investment and cash flows for the years then ended. These financial statements are responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraphs, we conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As disclosed in Note 2, the financial statements do not comply with International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies".

The Bank calculates provision for loan guarantees issued to the customers based on statutory requirements of the Republic of Belarus and the National Bank's regulations. In our opinion, as of December 31, 1999 provisions for loan losses and guarantees calculated under internationally recognized methods would increase the provision for loans by approximately BYB million 1,270,727 and the provision for guarantees by BYB million 1,105,914 (as of December 31, 1998 - by approximately BYB million 2,212,501 for loans and by approximately BYB million 565,186 for guarantees.)

In our opinion, except for the effects on the financial statements of the matters referred to in the preceding paragraphs, the financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 1999 and 1998, and results of operations, its cash flows and changes in shareholders' investment for the years then ended in accordance with International Accounting Standards.

Without qualifying our opinion, we would like to draw attention to the fact that, as discussed in the Note 34, the Bank's financial condition and future operations could be affected by continued economic difficulties in the Republic of Belarus.

Deloitte & Touche
Minsk, Republic of Belarus
March 15, 2000

BALANCE SHEETS AS OF DECEMBER 31, 1999 AND 1998

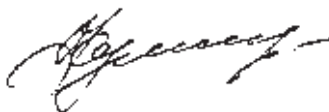
	Notes	1999 BYB million	1999 BYB million
ASSETS			
Cash		815,714	535,739
Due from the National Bank	3	8,936,519	11,793,457
Due from credit institutions, net	4	16,583,877	13,860,160
Loans and advances to customers, net	5	29,517,126	22,196,147
Investments	6	1,933,842	2,386,496
Investments in affiliates		-	46,378
Investments in subsidiaries	7	310,647	310,648
Accrued income and other assets	8	1,435,812	754,656
Fixed assets, net	9	5,103,414	1,956,711
Due from the Ministry of Finance	10	3,328,000	2,288,000
Total assets		68,000,951	56,128,392
Managed assets	17	67,623,286	58,042,429
Total assets and managed assets		135,624,237	114,170,821
LIABILITIES			
Due to the National Bank	11	2,353,335	4,366,465
Due to credit institutions	12	17,371,119	24,399,247
Current and term deposit accounts	13	40,596,310	23,140,843
Accrued expenses and other short-term liabilities	14	555,562	429,442
Debt securities issued by the Bank		23,510	293,658
Total liabilities		60,899,836	52,629,655
Managed liabilities	17	67,623,286	58,042,429
Total liabilities and managed liabilities		128,523,122	110,672,084
SHAREHOLDERS' INVESTMENT			
Share capital	15	401,600	401,600
Retained earnings		2,475,081	1,493,664
Revaluation surplus		4,224,434	1,603,473
Total shareholders' investment		7,101,115	3,498,737
Total liabilities and shareholders' investment		68,000,951	56,128,392
Total liabilities, shareholders' investment and managed liabilities		135,624,237	114,170,821

The accompanying notes are an integral part of these financial statements.

On behalf of the management:



Chairman of the
Board of Directors
Georgi Egorov



Chief Accountant
Zinaida Kushnerova

PROFIT AND LOSS STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

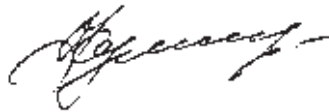
	Notes	1999 BYB million	1999 BYB million
Interest income	18	9,253,967	2,457,413
Interest expense	19	(4,183,257)	(994,232)
NET INTEREST INCOME		5,070,710	1,463,181
Fee and commission income	20	1,828,823	411,003
Fee and commission expenses	21	690,198	55,521
NET COMMISSION INCOME		1,138,625	355,482
Net gain from trading securities		877,083	242,908
Net foreign exchange gain		190,387	176,381
Net currency translation gain		1,409,623	2,927,895
Loss from securities revaluation		(662,898)	(350,677)
Other operating income, net		131,727	125,551
NET OPERATING INCOME		8,155,257	4,940,721
Provision for bad debts, net	22	(2,818,755)	(2,559,344)
NET INCOME AFTER PROVISION FOR BAD DEBTS		5,336,502	2,381,377
Salaries and related social expenses	23	(1,906,487)	(346,639)
Other administrative expenses	24	(2,083,803)	(501,862)
Depreciation	9	(124,085)	(43,635)
Other income		51,020	-
PROFIT BEFORE TAX		1,273,147	1,489,241
Taxation	25	(233,135)	(63,367)
NET PROFIT		1,040,012	1,425,874
Earnings per share, BYB		258,967	355,048

The accompanying notes are an integral part of these financial statements.

On behalf of the management



Chairman of the
Board of Directors
Georgi Egorov



Chief Accountant
Zinaida Kushnerova

STATEMENTS OF SHAREHOLDERS' INVESTMENT AS OF DECEMBER 31, 1999 AND 1998

	Issued capital BYB million	Retained earnings BYB million	Revaluation reserve BYB million	Total BYB million
As of 31 December 1997	401,351	84,328	201,209	686,888
Profit for the year	-	1,425,874	-	1,425,874
Dividends	-	(16,538)	-	(16,538)
Additional share issue	249	-	-	249
Revaluation of fixed assets	-	-	1,402,264	1,402,264
As of 31 December 1998	401,600	1,493,664	1,603,473	3,498,737
Restatement of the opening balance	-	(7,042)	-	(4,042)
Profit for the year	-	1,040,012	-	1,040,012
Dividends	-	(51,553)	-	(51,553)
Revaluation of fixed assets	-	-	2,620,961	2,620,961
As of 31 December 1999	401,600	2,475,081	4,224,434	7,101,115

The accompanying notes are an integral part of these financial statements.

CASH FLOW STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

	Note	1999 BYB million	1998 BYB million
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit		1,040,012	1,425,874
<i>Adjustments of non-cash items:</i>			
Depreciation of fixed assets		124,085	43,635
Increase in provision for bad debts		2,818,755	2,559,344
Loss from securities revaluation		662,898	350,677
Operating profit before changes in operating assets and liabilities		15,729,260	4,379,530
Change in operating assets:			
Due from credit institutions, net		(854,870)	(1,891,184)
Loans and advances to customers, net		(9,924,621)	(21,622,137)
Investments in trading securities		(229,413)	(877,811)
Accrued income and other assets		(681,156)	(512,180)
Change in operating liabilities:			
Due to the National Bank		83,676	347,242
Due to other credit institutions		3,466,509	7,716,185
Current and term deposit accounts		17,334,836	18,104,989
Accrued expenses and other short-term liabilities		126,120	335,539
Net cash from operating activities		13,896,831	5,980,173
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(603,111)	(240,619)
Investments in affiliates and subsidiaries		39,830	(235,826)
Increase of the balance due from the Ministry of Finance		(1,040,000)	(1,924,149)
Net cash used in investing activities		(1,603,281)	(2,400,594)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in share capital		-	249
Dividend paid		(51,553)	(16,538)
Debt securities issued by the Bank		(270,148)	277,123
Net cash increase (decrease) from financing activities		(321,701)	260,834
Net increase in cash and cash equivalents		11,971,849	3,840,413
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	28	4,971,515	1,131,102
CASH AND CASH EQUIVALENTS, END OF THE YEAR	29	16,943,364	4,971,515

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

1. GENERAL INFORMATION

Belvnesheconombank ("The Bank") was established on December 12, 1991 as a result of the separation of the Belarus branch of the Bank for Foreign Economic Affairs of the USSR. The Bank is incorporated in the Republic of Belarus as an open stock company, in which the shareholders have limited liability.

The Bank has a network of 23 branches within the territory of the Republic of Belarus, as well as representative offices in Moscow (Russia) and Warsaw (Poland).

The Bank provides the wide range of services to its clients, who are mainly local corporate customers. The Bank's primary areas of operations include granting loans to exporting industries, issuing and processing export and import letters of credits, transferring payments and exchanging foreign currencies upon demand of its customers and for currency trading purposes. The Bank has a general banking license, which allows it to maintain accounts and attract demand and term deposits from private and corporate customers. The Bank has been granted a status of export operations servicing bank.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted by the Bank are set out below. The accounting policies remain unchanged from the previous year.

Basis of preparation

The accompanying financial statements are presented in the national currency of the Republic of Belarus - rouble (BYB). Amounts in the financial statements have been rounded to the nearest one million unless specifically stated otherwise, and disclosed before the statutory denomination, effective 1 January 2000.

The financial statements presented include only the accounts of the Bank.

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of fixed assets.

Interest, Fees and Commissions

All significant interest income and expense is recognized on the accrual basis.

The Bank does not accrue interest on non-performing loans and advances. Loans are considered to be non-performing if they are in arrears on payment for a period greater than 30 days. For such loans, all interest income accrued is immediately provided for and no further accruals are made until the arrears are received.

Commissions, fees and other income/expense are credited/charged to profit and loss accounts when earned or incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Foreign Currencies

Translation rates

Transactions denominated in foreign currency are translated into rubles at the official National Bank of the Republic of Belarus rate on the date of the transaction.

Monetary assets and liabilities, including unmatured commitments to deliver or acquire foreign currencies under spot exchange transactions, are translated at the official rate on the balance sheet date. Any unrealized gain or loss arising from revaluation of assets and liabilities at the official rate at the balance sheet date is included in the profit and loss accounts.

The applicable National Bank rates (BYB to 1 foreign currency unit) used for the principal currencies as of December 31, 1999 and 1998 were as follows:

	<u>Currency</u>	<u>Rates</u>	
		<u>1999</u>	<u>1998</u>
USD	US dollar	320,000	220,000
DEM	German mark	164,996	130,999
RUR	Russian rouble	11,870	10,470
UAH	Ukrainian hrivna	61,129	64,196

Market rates

The official currency exchange rates of the National Bank of the Republic of Belarus are somewhat different from the exchange rates prevailing on the foreign exchange market.

The following approximate rates for transactions with immediate delivery have been reported on the local foreign exchange market as of the last operating days of 1999 and 1998:

	<u>Currency</u>	<u>Rates</u>	
		<u>1999</u>	<u>1998</u>
USD	US dollar	900,000	330,000
DEM	German mark	468,000	196,429
RUR	Russian rouble	33,400	16,492
UAH	Ukrainian hrivna	164,000	96,210

Cash and Cash Equivalents

For the purpose of presentation in the statements of cash flow, cash and cash equivalents are defined as amounts comprising cash and balances due from the National Bank and other credit institutions with maturity up to three months. The total cash balance is reduced by the balances due to the National Bank and other credit institutions maturing within three months.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Loans and advances

Placements with, and loans and advances to, other banks as well as loans and advances to customers are reported at their nominal value, or at cost if purchased, less provisions and writes-off.

The Bank provides commercial and consumer loans to customers throughout its market area. The economic condition of the market area may have an impact on the borrower's ability to repay their loans. Management have considered the risk in determining the balance of provisions for possible loan losses. Provisions for loan losses at the balance sheet date are established in accordance with IAS and represent the estimated amounts of probable losses that have been incurred at the balance sheet date.

The level of provision is based on estimates considering known relevant factors affecting loan collectibility and collateral values. These estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the period in which they become known. Due to an inherent lack of reliable information about the customers' financial positions, the estimate of probable losses is uncertain and ultimate losses may vary from the current estimates.

Investments

Investments consist of trading and investment securities.

Trading securities are current investments, which are acquired with the intention of reselling them in the short term or which management intends to hold for less than one year. Trading securities are stated at lower of cost or market value. Market value is determined for marketable securities by reference to the average price quoted on the relevant markets on the last operating day of the year.

Investment securities are long-term investments, which management intends to hold more than one year or to their maturity to generate dividend income or capital gain. Investment securities are recorded at cost unless a decline is deemed to be permanent.

Fixed income securities held for investment purposes are stated at cost plus amortized discount. The discount arising from purchase of fixed income securities is amortized evenly over the term to maturity. The result of amortization is credited to the profit and loss accounts.

Investments in subsidiaries

In accordance with the International Accounting Standard 27 on Consolidated Financial Statements and Accounting for Investments in Subsidiaries, in a parent's separate financial statements investments in subsidiaries should be either accounted for using the equity method or carried at cost or revalued amounts under the parent's policy for long-term investments. In the opinion of the management, if the subsidiaries were consolidated in accordance with IAS 27, it would not have a material effect on consolidated financial statements.

The Bank has invested in the capital of 3 entities holding more than 50% of the voting power. The National Bank of the Republic of Belarus does not require consolidated financial statements, and these entities are not related to banking operations. Additionally, the financial statements of the subsidiaries are not audited in accordance with IAS.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Fixed assets

Fixed assets are stated at historical or revalued historical cost less accumulated depreciation.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Statutory revaluations

Due to high rates of inflation remaining in the economy of the Republic of Belarus, the fixed assets of the Bank have been revalued on an annual basis in accordance with the indices, determined by the Government. The indexes approximate the average change in the replacement cost for broad categories of fixed assets. The indices vary according to the asset type and acquisition date.

When a statutory revaluation has been made, the accumulated depreciation on the date of revaluation has been restated proportionally with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation represents the revalued amount. The surplus arising on revaluation has been taken to the revaluation reserve included in the shareholders' investment.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remains in the revaluation reserve.

Depreciation policies

Depreciation is provided on all fixed assets based on the cost or revalued amounts. The annual charge for depreciation is computed using the straight-line method applying rates specified for each depreciable asset by government decree. The estimated useful life of assets determined by the government are somewhat longer than the estimated useful lives of the assets, however the effect on the Bank's financial position for the year is not significant. The annual depreciation rates applied are:

Buildings	1%
Vehicles	10%
Office equipment	6 - 14.5%

Leasehold improvements are capitalised and depreciated over the period of the lease.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Leasing

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

The Bank as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Bank net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Banks net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Bank as lessee

Assets held under finance leases are recognised as assets of the Bank at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease

Earnings per Share

For the purpose of calculating earnings per share the weighted average number of common shares in 1999 and 1998 was 4,016,000 shares, respectively. The Bank had no dilutive options outstanding during 1999 and 1998.

Taxation

In 1999 corporate income tax rate decreased from 30% to 25%. The tax was calculated based on the taxable income for the year calculated in accordance with Belaru-sian tax legislation.

In 1998 the Bank adopted, effective January 1, 1998 the revised version of the IAS 12 (revised 1996) - Income Taxes. The Standard requires a full provision approach to deferred tax, which is based on "temporary differences".

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Bank is allowed to settle its current tax assets and liabilities on a net basis.

Related Parties

Related parties are defined as shareholders, employees, members of the supervisory board and the board of directors, their close relatives and companies in which they have a controlling interest. Related parties also include subsidiaries and affiliates of the Bank.

Financial Instruments with Off-Balance Sheet Risks

In the normal course of the business, the Bank enters into financial instruments with off-balance sheet risks, which include forward exchange rate contracts, options, issued letters of credit, guarantees, etc. These financial instruments involve, to various degrees, elements of credit, interest rate and currency risk and are recognised in the financial statements when they are funded.

Estimates of losses on and bad debt provision is made, if any, for such off-balance sheet items.

The policy adopted for instruments designed to hedge foreign exchange risks is outlined in section "Foreign Currencies" above. Net income or expense associated with interest rate swap agreements is recognised on an accrual basis over the life of the swap agreements as a component of interest.

A gain or loss arising from a change in the fair value of the financial instrument accounted for as a hedge is recognised in the profit and loss accounts at the moment when the corresponding hedged position results in the respective loss or gain.

Other financial instruments not intended to be held for a long period of time are revalued on a regular basis in order to report their fair value. A gain or loss from revaluation of these financial instruments is recognised in the profit and loss accounts as they arise.

Reclassifications

Certain reclassifications have been made to 1998 financial statements to conform to current year basis of preparation.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. These estimates and assumptions relate mainly to:

- Revaluation of fixed assets using the official indexation rates as described in section "Property, plant and equipment" of this note;
- Estimation of useful lives of depreciable assets;
- Valuation of transactions and balances in foreign currencies in the national currency equivalent using official exchange rate of the National Bank of Belarus;
- valuation of investments in subsidiaries and associates.

Fair Values of Financial Instruments

Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, credit risk, payments and other factors especially in the absence of broad markets of particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

The following methods and assumption are used to estimate fair values for financial instruments.

The carrying value of cash and amounts due from other banks approximates fair value due to the relatively short period of time between the origination of the instruments and their expected realisation.

In case of securities, the fair values are based on quoted market prices or dealer quotes. If a quoted market price is not available, fair value is estimated using quoted market prices for similar instruments.

The fair value of loans is estimated based on contractual cash flows, adjusted for prepayment assumption and credit risk factors, discounted using the current market rate for loans. Variable rate loans are valued at carrying value since the loans are repriced to market rates over a short period of time.

The carrying value of interests payable and receivable approximates its fair value because of the relatively short period of time between accrual and expected realisation.

The fair value of fixed-maturity deposits is the present value of the contractual cash flows, including principal and interest, and servicing costs, discounted using an appropriate investor yield. The fair value of deposits with no stated maturity, such as demand deposits, savings are equal to the amount payable on demand.

The carrying value of short-term borrowings approximates its fair value because of the relatively short period of time between the origination of the instruments and their expected payment.

The fair values of the Bank's commitments to extend credit, standby letters of credit and financial guarantees written are estimated using fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparts. For fixed-rate loan commitments and standby letters of credit in conjunction with fixed-rate loan agreements, the fair value also includes the difference between current levels of interest rates and the committed rates. For financial guarantees written, the fair value also includes reserves established relating to the Bank's potential obligation on the outstanding guarantees.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

Accounting for the Effects of Hyperinflation

The Republic of Belarus continues to experience high levels of inflation. Under International Accounting Standard 29, Financial Reporting In Hyperinflationary Economies, the financial statements should be adjusted to reflect the effects of the diminution of the purchasing power of the rouble if the cumulative inflation index for the last three operational years is equal or exceeding 100%. The historical inflation rates in the Republic of Belarus, expressed as the annual official consumer price index reported by the government, are as follows:

<u>Year</u>	<u>Inflation rate</u>
1999	351%
1998	282%
1997	165%
1996	153%
1995	344%

The three-year cumulative inflation rate exceeded 100%, and there are other criteria suggested under IAS, which indicate highly inflationary conditions in the country. However, the Management of the Bank believes that it would not be practicable to restate the accounts and the financial statements are prepared on the historical cost basis modified to include revaluation of fixed assets only as discussed above.

Government policies and regulatory matters

The Bank is subject to the regulatory requirements of the National Bank of the Republic of Belarus and various decrees of the President of the Republic of Belarus. These requirements include capital adequacy, liquidity and foreign currency position.

In addition to prudential requirements ordinarily existing in the banking industry, there are additional restrictions imposed on banking operations. These restrictions include:

- Minimum interest rates on deposits of budget organizations;
- Maximum borrowing and lending limits on the inter-bank market;
- Maximum interest rates on inter-bank borrowings;
- Certain restrictions on transactions with foreign currencies.

Applicable regulations are not always clearly defined and their interpretation is subject to the opinion of the National Bank and other regulatory authorities. Further regulations may be imposed retroactively and new interpretations of existing regulations may be issued. The sanctions for non-compliance with the laws and regulations may include restrictions on the Bank's activities and the withdrawal of the banking license. Management believes that the Bank is in compliance with all applicable laws and regulations.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

3. DUE FROM THE NATIONAL BANK

	1999 BYB million	1998 BYB million
Correspondent account	106,723	15,280
Term deposit	5,984,000	11,000,000
Mandatory reserve	2,845,796	778,177
Total	8,936,519	11,793,457

In accordance with the National Bank of the Republic of Belarus regulations, the Bank must hold in a separate account with it a mandatory reserve deposit, which is computed using a determined percentage of the average monthly balance of customers' deposits based on their contractual maturity and original currency. The mandatory reserve deposit is not available for general use by the Bank.

As of December 31, 1999 and 1998 the Bank was in compliance with this regulation.

4. DUE FROM CREDIT INSTITUTIONS, NET

Amounts due from credit institutions are composed of:

	1999 BYB million	1998 BYB million
Demand placements		
With non-OECD credit institutions	5,118,950	593,596
With OECD credit institutions	5,749,784	1,100,270
Total demand placements	10,868,734	1,693,866
Term placements		
With non-OECD credit institutions	3,240,319	1,047,351
With OECD credit institutions	2,632,112	11,223,709
Total term placements	5,872,431	12,271,060
Total due from credit institutions	16,741,165	13,946,926
Provision for bad debts (Note 22)	(157,288)	(104,766)
Due from credit institutions, net	16,583,877	13,860,160

In 1999 the average interest rates on term deposits were 5.6% in foreign currency and 92.4% in national currency (in 1998 the rates ranged from 4% in foreign currency to 36% in national currency).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

5. LOANS AND ADVANCES TO CUSTOMERS, NET

Loans and advances to customers are composed of:

	1999 BYB million	1998 BYB million
Commercial loans	30,619,873	19,191,841
Loans to individuals	30,071	16,629
Factoring	3,947,058	5,331,429
Total loans and advances to customers	34,597	24,539,899
Provision for loan losses (Note 22)	(5,079,876)	(2,343,752)
Net loans and advances to customers	29,517,126	22,196,147

As of 31 December, 1999 and 1998 the composition of the loan portfolio by type of customer is as follows:

	1999 BYB million	1998 BYB million
State companies	13,526,625	11,532,227
Private companies and individuals	996,552	800,935
Enterprises with partial state ownership and other forms of ownership	20,073,825	12,206,737
Total loans and advances to customers	34,597,002	24,539,899
Provision for loan losses (Note 22)	(5,079,876)	(2,343,752)
Net loans and advances to customers	29,517,126	22,196,147

As of 31 December, 2000 and 1999 the composition of the loan portfolio by type of customer is as follows:

	1999 BYB million	1998 BYB million
Manufacturing	19,918,723	18,498,873
Trade	4,856,015	2,522,862
Financial services	630,005	695,332
Food industry	478,995	668,571
Transportation	864,400	530,201
Dental services	311,100	2543,363
Construction	447,553	227,658
Agriculture	304,511	193,274
Software	-	125,243
Publishing	679,898	-
Other	6,105,802	823,522
Total loans and advances to customers	34,597,002	24,539,899
Provision for loan losses (Note 22)	(5,079,876)	(2,343,752)
Net loans and advances to customers	29,517,126	22,196,147

As of 31 December 1999 and 1998 the average interest rates on loans in national currency were 94.3% and 50.4% and in foreign currency 29% and 16.7%, respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

6. INVESTMENTS

Investments are composed as follows:

	1999 BYB million	1998 BYB million
Belarus government bonds	1,130,086	1,220,810
St.Peterburg municipal bonds issued in USD	444,864	455,950
Equador bonds issued in USD	317,504	495,344
Buenos Aires municipal bonds issued in USD	-	211,337
Other state and municipal bonds	36,185	3,055
Other equity investments	5,203	-
Total	1,933,842	2,386,496

The Bank keeps Belarusian government bonds and bonds of other states and municipal authorities in trading portfolio. The securities are marketable and stated at a lower of cost or market value. Other equity investments are kept for investment purposes.

7. INVESTMENTS IN SUBSIDIARIES

As of 31 December, 1999 and 1998 investments in subsidiaries are composed as follows:

Company	Industry	% of total voting rights	1999 BYB million	1998 BYB million
Belvneshstrah	insurance	97.7	176,000	176,000
Belinterfinance	financial services	51	134,640	134,640
Inter-industrial Institute of Independed Assessment of Investment Project	consulting	52	7	8
Total			310,647	310,647

According to Belarussian banking legislation requirements, the Bank's subsidiaries have not been consolidated and are carried at cost. In the opinion of the management, if these subsidiaries were consolidated in accordance with IAS 27, it would not have a material effect on consolidated financial statements.

All subsidiaries are registered and operating in the Republic of Belarus.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

8. ACCRUED INCOME AND OTHER ASSETS

Accrued income and other assets are composed of:

	1999 BYB million	1998 BYB million
Accrued interests receivable	1,046,861	587,017
Prepaid expenses	-	27,494
Materials, net	172,584	37,434
Advances to suppliers	130,045	63,740
Settlements on taxes	67,316	32,086
Other	19,006	6,885
Total	1,435,812	754,656

9. FIXED ASSETS, NET

Fixed assets are composed as follows:

BYB million	Land and buildings	Office Equipment	Vehicle	Furniture and Other Fixed Assets	Total
Historical cost					
As of 31 December 1997	109,898	99,353	53,941	28,835	492,027
Additions	172,020	60,728	30,849	38,998	302,595
Disposals	(16,287)	(6,664)	(13,167)	(25,858)	(61,976)
Revaluation	1,155,536	192,489	72,265	172,720	1,593,010
As of 31 December 1998	1,421,167	345,906	143,888	414,695	2,325,656
Additions	5,306	267,866	109,182	246,279	628,633
Disposals	(5,242)	(19,420)	(8,037)	(26,141)	(58,840)
Revaluation	1,699,785	770,922	379,348	1,095,619	3,945,674
As of 31 December 1999	3,121,016	1,365,274	624,381	1,730,452	6,841,123
Accumulated depreciation					
As of 31 December 1999	14,705	34,121	25,087	60,651	134,564
Additions	5,455	16,076	8,396	39,092	69,019
Disposals	(2,342)	(2,789)	(1,462)	(18,791)	(25,384)
Revaluation	12,789	64,648	42,815	70,494	190,746
As of December 1998	30,607	112,056	74,836	151,446	368,945
Additions	46,344	31,310	12,141	34,290	124,085
Disposals	(71)	(1,712)	(310)	(839)	(2,932)
Revaluation	199,191	290,679	266,256	491,485	1,247,611
As of 31 December 1999	276,071	432,333	352,923	676,382	1,737,709
Net book value					
31 December 1998	1,390,560	233,850	69,052	263,249	1,956,711
31 December 1999	2,844,945	932,941	271,458	1,054,070	5,103,414

The assets stated above are held for the Bank's own use.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

10. DUE FROM THE MINISTRY OF FINANCE

In September 1991, Vnesheconombank of the USSR froze all customer accounts. During 1996 an agreement was reached between the governments of the Russian Federation and of the Republic of Belarus that Ministry of Finance of the Republic of Belarus would assume all the obligations of Vnesheconombank of the USSR relating to Belarusian customers. As of December 31, 1997 the Bank's outstanding receivable from Vnesheconombank of USSR was equivalent of BYB million 363,851.

During 1998 the governments of Russian Federation and the Republic of Belarus have signed an agreement about mutual settlements. As a result of this agreement, the debt has been converted to a Ministry of Finance of the Republic of Belarus non-interest bearing bond, which is repayable on 31 December 1999. As of 31 December 1999 and 1998 amounted to USD 10,400,000 or equivalent of BYB million 2,288,000, respectively, and is repayable on December 31, 2001

11. DUE TO THE NATIONAL BANK

	1999 BYB million	1998 BYB million
Correspondent account	1,734,419	3,831,225
Term deposits	618,916	535,240
Total	2,353,335	4,366,465

Including in term deposits due to the National Bank is BYB million 609,747 and BYB million 535,115 as of December 31, 1999 and 1998, respectively, relating to funds provided by the European Bank for Reconstruction and Development (EBRD) under the small and medium sized enterprises lending program. The Bank acts as a dispensing agent for these funds in the form of loans to the Belarus companies. These funds have the same maturity as the corresponding loans. The Bank has the ultimate responsibility to repay the funds provided by EBRD.

12. DUE TO CREDIT INSTITUTIONS

Due to credit institutions is composed as follows:

	1999 BYB million	1998 BYB million
Demand deposits		
from domestic banks	2,153,124	2,411,046
from non-OECD credit institutions	93,135	575,015
from OECD credit institutions	-	-
Total demand deposits	2,246,259	2,986,061
Loans and term deposits		
from domestic banks	4,564,860	2,014,465
from non-OECD credit institutions	-	-
from OECD credit institutions	10,560,000	19,398,721
Total loan and term deposits	15,124,860	21,413,186
Total due from other credit institutions	17,371,119	24,399,247

As of December 31, 1999 and 1998 the average interest rates on term deposits were 7.4% and 7% in foreign currency and 94.5% and 48% in national currency, respectively.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

13. CURRENT AND TERM DEPOSIT ACCOUNTS

Current and term deposit accounts are composed as follows:

	1999 BYB million	1998 BYB million
Current accounts		
Companies	23,406,334	8,496,576
Individuals	847,706	544,394
Government funds	2,639,488	2,983,029
Total current accounts	26,893,528	12,023,999
Term deposit accounts		
Companies	8,469,871	8,925,536
Individual	5,232,911	2,391,308
Total term deposit accounts	13,702,782	11,116,844
Total current and term deposit accounts	40,596,310	23,140,843

As of 31 December 1999 and 1998 the average interest rates on term deposits to customers were 42.3% and 27% in national currency and 10% and 4.9% in foreign currency, respectively.

14. ACCRUED EXPENSES AND OTHER SHORT-TERM LIABILITIES

Accrued expenses and other liabilities are composed as follows:

	1999 BYB million	1998 BYB million
Accrued interest expenses	140,073	123,248
Taxes payable	188,005	40,466
Financial lease liabilities	124,309	-
Other short-term liabilities	103,175	265,729
Total	555,562	729,442

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

15. SHARE CAPITAL

Share capital authorized, issued and fully paid comprises:

	1999 BYB million	1998 BYB million
Common shares	401,600	401,600
Preference shares	-	-
Total	401,600	401,600

As fo 31 December 1999 and 1998 the issued capital consisted of 4,016,600 common shares each of nominal value of 100,000 BYB. Each common share carries one vote. The Bank does not have subordinated debt.

Earnings per share computed by dividing net earnings by the weighted average of the common stock outstanding.

	1999	1998
Net earnings BYB thousand	1,040,012	1,425,847
Weighted average common stock outstanding	4,016,000	4,016,000
Earnings per common share BYB	258,967	355,048

16. CONTINGENCIES AND COMMITMENTS

Contingencies and commitments are composed of:

	1999 BYB million	1998 BYB million
Guarantees issued	15,219,300	5,479,268
Uncovered import letters of credit	7,017,717	2,429,830
Committed credits granted, not drawn down	1,937,335	912,999
Foreign exchange forward agreements	-	558,630
Total	401,600	9,380,727

Financial leases

As of 31 December 1999 the Bank has outstanding finance lease obligations in connection with the acquisition of vehicles and office equipment.

The present value of minimum lease payments on fixed assets received under the lease agreements as of 31 December 1999 is disclosed on the balance sheet as lease liabilities (Note 14).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

As of 31 December 1999 future commitments under financial leases are as follows:

Year ending December 31,	1999 BYB million
2000	127,451
2001	102,539
Minimum lease payments	229,990
Less amount representing interest	(105,681)
Present value of minimum lease payments	9,253,967

17. MANAGED ASSETS AND MANAGED LIABILITIES

Managed assets and liabilities are composed of:

	1999 BYB million	1998 BYB million
Managed assets		
Managed loans granted to non-OECD residents	67,623,286	58,042,429
Total	67,623,286	58,042,429
Managed funds provided by OECD instructions		
AKA Ausfuhrkredit (Germany)	45,663,224	40,387,330
Kreditanstalt fur Wiederaufbau (Germany)	1,156,833	1,954,383
Bayerische Landesbank Girozentrale (Germany)	6,263,323	-
Bank Australia AG (Australia)	4,904,436	2,853,049
Creditanstalt AG (Australia)	595,523	347,616
Banco de Sabadell SA (Spain)	-	65,982
European Bank for Reconstruction and Development	-	9,684,069
International Monetary Fund	3,941,064	2,750,000
Interbanka, A.S. (Czech Republic)	1,187,075	-
Czech Export Bank, A.S. (Czech Republic)	3,911,808	-
Total	4,183,257	58,042,429

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

18. INTEREST INCOME

Interest income is comprised of interests on:

	1999 BYB million	1998 BYB million
placements with other credit institutions	2,041,701	179,924
loans and advances to customers	6,796,490	1,710,229
government and other securities	203,782	257,617
Other interest income	211,994	309,643
Total	9,253,967	2,457,413

19. INTEREST EXPENSE

Interest expense is composed of interest on:

	1999 BYB million	1998 BYB million
deposits from other banks	1,206,965	418,053
deposits from the public	2,924,904	331,192
fixed income securities	46,993	7,210
Other interest expense	4,395	237,777
Total	4,183,257	994,232

20. FEE AND COMMISSION INCOME

Commission and fee income is composed of:

	1999 BYB million	1998 BYB million
Service fees on transactions with clients	1,275,212	275,323
Commission on currency transactions	271,511	62,558
Commission on interbank transactions	157,042	14,491
Other commission and fee income	125,058	58,631
Total	1,828,823	411,003

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

21. FEE AND COMMISSION EXPENSE

Commission and fee expense are composed of:

	1999 BYB million	1998 BYB million
Correspondent bank service charges	8,585	1,195
Commission on currency transactions	57,600	13,827
Service fees on transactions with clients	632,002	30,547
Other commission and fee expense	1,002	9,952
Total	690,198	55,521

22. PROVISION FOR BAD DEBTS, NET

The following table provides a reconciliation of the provision for bad debts to the prior year balance:

	Loans BYB million	Guarantees BYB million	Due from banks BYB million	Other items BYB million	Total BYB million
As of 31 December 1997	449,277	10,000	9,781	10,000	479,058
Reversals due to write-off's Charged to the profit and loss account During the period, net	(569,884)	-	-	-	(569,884)
	2,464,359	-	94,985	-	2,559,344
As of 31 December 1998	2,343,752	10,000	104,766	10,000	2,468,518
Reversals due to write-off's Charged to the profit and loss account During the period, net	(40,109)	-	-	(10,000)	(50,109)
	2,744,842	21,391	52,522	-	2,818,755
As of 31 December 1999	5,048,485	31,391	157,288	-	5,237,164

23. SALARIES AND RELATED SOCIAL EXPENSES

Salaries and related social expenses are composed of:

	1999 BYB million	1998 BYB million
Salaries to Board of Directors	8,709	3,869
Staff salaries	741,665	170,662
Social security contributions	668,200	75,521
Other staff expenses	487,913	96,587
Total	1,906,487	346,639

Other staff expenses include training, recruitment and other similar expenses. During the reporting year, the Bank employed the average number of 1,734 employees (1,701 in 1998).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

24. OTHER ADMINISTRATIVE EXPENSES

Other administrative expenses are composed of:

	1999 BYB million	1998 BYB million
Non-income taxes	899,774	151,064
Rent, utilities and maintenance	572,299	66,286
Repairs	54,385	55,492
Professional fees	116,371	44,522
Transport	124,279	20,935
Security	75,780	19,395
Telecommunications	101,931	18,995
Supplies	22,804	18,028
Advertising	39,439	10,140
Other	76,741	97,005
Total	2,083,803	501,862

25. TAXATION

The amount of BYB 233,135 million (BYB 63,367 million in 1998) represents the charge for profit tax which is determined on the basis of statutory profits calculated in accordance with Belarusian tax legislation and statutory accounting regulations of the National Bank of the Republic of Belarus. The current profit tax rate applicable to the majority of income in 1999 was 25%.

The provision for income taxes includes current taxes and deferred taxes.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Temporary differences, which give rise to significant amount of deferred tax assets (liabilities) as of December 31, 2000 are as follows:

	1999 BYB million	1998 BYB million
Deferred tax assets:		
Provisions on doubtful debts	1,760,581	25,703
Equity investment and securities revaluation losses	202,614	88,985
General and administrative expenses	47,927	-
Deferred tax assets	2,011,121	144,688
Deferred tax liabilities		
Accrued interest income	(477,770)	(107,333)
Other income	(6,100)	-
Deferred tax liabilities	(483,870)	(107,333)
Deferred tax assets, net	1,433,987	7,355
Less: valuation allowance	(1,433,987)	(7,355)
Total deferred tax assets	-	-

The resulting deferred tax assets were not recorded in these financial statements because of an uncertainty, which exists as to probability, amount and terms of realisation of the asset.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

26. RELATED PARTY TRANSACTIONS

As of 31 December, 1999 the Bank has a term deposit in amount of BYB million 331,200 placed by a related party (as of December 31, 1998 attracted by the Bank from related parties on a term bases was amount of BYB million 510,300). All deposits were attracted on the basis of normal interest rates, which do not differ from the average rates offered to other clients.

As of the date of these financial statements the Bank issued to its related parties several guarantees in the amount of BYB million 21,073 (BYB million 893,239 as of December 31, 1998) and letters of credit in the amount of BYB million 2,276,180.

As of December 31, 1999 the Bank also had loans and factoring facilities granted to related parties in the amount of BYB million 1,432,632 (BYB million 110,954 as of December 31, 1998).

27. CONCENTRATION OF ASSETS AND LIABILITIES

As of December 31, 1999 and 1998 the Bank was controlled by the Government of the Republic of Belarus, acting through the Ministry of Finance. Exposure to the Government of the Republic of Belarus includes various direct obligations of the Government as well as commercial credits, guaranteed by the Government where a significant probability exists of ultimate recourse to the Government's funds:

	1999 BYB million	1998 BYB million
Government bonds (Note 6)	1,130,086	1,220,810
Due from the Ministry of Finance (Note 10)	3,328,000	2,288,000
Loan guaranteed by the Government	3,871,147	2,187,265
Total	8,329,233	5,697,075

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are composed of:

	1999 BYB million	1998 BYB million
Cash	851,714	535,739
Due from the National Bank	8,936,519	11,793,457
Due from other banks with maturity less than three months	13,919,880	11,998,511
Due to the National Bank	(1,734,419)	(3,831,225)
Due to other banks with maturity less then three months	(5,030,330)	(15,526,967)
Total	16,943,364	4,971,515

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

29. FOREIGN CURRENCY EXPOSURE

The analysis of assets and liabilities as of 31 December, 2000 and 1999 according to the principal classes of currencies in which they are denominated is as follows:

BYB million	Assets	Liabilities	Net currency exposure	% of the shareholders' investment
US dollar (USD)	48,682,260	46,432,630	2,249,630	31.68
German mark (DEM)	3,409,603	3,594,282	(184,679)	1.08
British pound (GBP)	197,836	120,907	76,929	2.60
French franc (FRF)	514,937	212,152	302,785	4.26
Euro (EUR)	1,230,614	485,018	745,596	10.50
Russian ruble (RUR)	855,320	774,218	81,102	1.14
Other hard currencies	208,828	125,601	83,227	0.06
Other soft currencies	217,544	212,961	4,583	1.17
Total	55,316,942	51,957,769	3,359,173	47.30
Total long position			3,543,852	49.90
Total short position			(184,679)	2.60

For regulatory reporting purposes freely convertible currencies include principally USD, DEM and currencies of other OECD countries. Currencies with restricted conversion include RUR, UAH and currencies of CIS and other non-OECD countries.

In accordance with the National Bank requirements, as of December 31, 1999 and 1998, the combined open position in all freely convertible currencies and the combined open position in all currencies with restricted conversion could not exceed 10% and 5% of the Bank's regulatory capital, respectively. As of the reporting dates, the Bank was in compliance with these regulations in respect of both currency categories.

30. CAPITAL ADEQUACY AND REGULATORY MATTERS

The National Bank of the Republic of Belarus requires banks to maintain a capital adequacy ratio of 10% based on specific capital adequacy calculations. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by the regulators that if undertaken could have a direct material effect on the Bank's operation. As of December 31, 1999 and 1998 the Bank's actual ratio was 13.7% and 10.16%, respectively.

Based on the guidelines set out by the Basle Agreements, Bank's assets are weighted based on their risk, 0% representing the lowest risk. The capital base corresponding to the Basle Agreement target capital ratio is BYB million 7,101,115. The Bank's capital adequacy ratio based on the guidelines of the Basle Agreement as of December 31, 1999 and 1998 was 11.69% and 9.21% respectively, which is above the recommended target capital to risk weighted ratio of 8%.

If additional provisions for credit risks proposed by international auditors were taken into consideration the Bank's capital adequacy ratio calculated on the basis guidelines would be 8.09%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

31. LIQUIDITY ANALYSIS

The table below provides an analysis of assets and liabilities into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity. Those assets and liabilities that do not have a contractual maturity date are grouped together in the "Over 1 year" category. The remaining period to maturity of assets and liabilities was as follows:

	Up to 1 month	From 1 to 3 month	From 3 to 6 month	From 6 month to 1 year	Over 1 year	Total
	BYB million	BYB million	BYB million	BYB million	BYB million	BYB million
Assets						
Cash	851,714	-	-	-	-	851,714
Due from the National Bank	106,723	8,829,796	-	-	-	8,936,519
Due from credit institutions, net	13,036,042	883,822	2,316,157	347,856	-	16,583,877
Loans and advances to customers, net	10,112,146	4,544,515	4,337,421	3,205,886	7,307,159	29,517,126
Investments	39,627	49,750	449,292	639,256	755,917	1,933,842
Investments in subsidiaries	-	-	-	-	310,647	310,647
Accured income and other assets	657,059	10,012	254,509	16,030	498,202	1,435,812
Fixed assets, net	-	-	-	-	5,103,414	5,103,414
Due from the Ministry of Finance	-	-	-	-	3,328,000	3,328,000
Total assets	24,803,311	14,327,895	7,357,379	4,209,028	17,303,338	68,000,951
Liabilities and shareholders' Investment						
Due to the National Bank	1,734,419	-	91,200	87,187	440,529	2,353,335
Due to credit institutions	3,698,146	1,332,184	887,963	1,500,059	9,952,767	17,371,119
Current and term deposit accounts	31,357,032	2,097,750	2,432,718	3,058,810	1,650,000	40,596,310
Accrued expenses and other short-term liabilities	431,253	31,077	31,078	62,154	-	555,562
Bonds issued by the Bank	-	-	-	23,510	-	23,510
Shareholders investment	-	-	-	-	7,101,115	7,101,115
Total liabilities and Shareholders' investment	37,220,850	3,461,011	3,442,959	4,731,720	19,144,411	68,000,951
Off-balance sheet liabilities	4,432,831	43,604,190	3,234,437	3,767,455	8,135,449	24,174,352
Total liabilities, shareholders' investment and off-balance sheet liabilities	41,653,681	8,064,201	6,677,396	8,499,165	27,279,860	92,175,303
Liquidity risk	(16,850,370)	6,262,694	679,983	(4,290,137)	(9,976,522)	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

32. INTEREST RATE RISK

Interest rate risk is composed as follows:

	Up to 1 month	From 1 to 3 month	From 3 to 6 month	From 6 to 12 month	Over 1 year	Non - inter- est bearing funds	Total
	BYB million	BYB million	BYB million	BYB million	BYB million	BYB million	BYB million
Assets							
Cash	-	-	-	-	-	851,714	851,714
Due from the National Bank	5,984,000	-	-	-	-	5,952,519	8,936,519
Due from credit institutions, net	2,167,308	883,822	2,316,157	347,856	-	10,868,734	16,583,877
Loans and advances to cus- tomers, net	10,112,146	4,544,515	4,337,421	3,205,886	7,307,158	-	29,517,126
Investments	39,627	49,750	449,292	639,256	755,917	-	1,933,842
Investments in subsidiaries	-	-	-	-	-	310,647	310,647
Accrued income and other assets	-	-	-	-	-	1,435,812	1,435,812
Fixed assets, net	-	-	-	-	-	5,301,414	5,301,414
Due from the Ministry of Finance	-	-	-	-	-	3,328,000	3,328,000
Total assets	18,303,081	5,488,087	7,102,870	4,192,998	8,063,075	24,850,840	68,000,951
Liabilities and shareholders' Investment							
Due to the National Bank	-	-	-	178,387	440,529	1,734,419	2,353,335
Due to credit institutions	1,451,887	1,332,184	887,963	1,500,059	9,952,767	2,246,259	17,371,119
Current and term deposit accounts	31,357,032	2,097,750	2,432,718	3,058,810	1,650,000	-	40,596,310
Accrued expenses and other short-term liabilities	-	-	-	-	-	555,562	555,562
Bonds issued by the Bank	-	-	-	23,510	-	-	23,510
Shareholders' Investment	-	-	-	-	-	7,101,115	7,101,115
Total liabilities and share- holders' investment	32,808,919	3,429,934	3,320,681	4,760,766	12,043,296	11,637,355	68,000,951
Off-balance sheet liabilities	-	-	-	-	-	28,898,445	28,898,445
Total liabilities, shareholders' Investment and off balance sheet liabil- ities	32,808,919	3,429,934	3,320,681	4,760,766	12,043,296	40,535,800	96,899,396
Interest rate risk	(14,505,83)	2,058,153	3,782,189	(567,768)	(3,980,221)	(15,684,96)	(15,684,96)

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument therefore indicates to what extent it is exposed to interest rate risk. Due to the nature of the elarus banking system, the interval at which interest is repriced to market is the approximately same as the contractual maturity of most financial instrments, as provided in the above relevant maturity groupings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 1999 AND 1998

As of December 31, 1999 the Bank does not have off-balance sheet instruments, which bear a determinable interest rate risk.

As many loans are re-scheduled and re-negotiated actual maturity could exceed contractual maturity.

33. FAIR VALUES OF FINANCIAL INSTRUMENTS

The fair value of the monetary assets and liabilities approximates their carrying value as of 31 December 1999 and 1998/ The information concerning the principal characteristics of these items is separately disclosed in the Notes above.

34. LITIGATION AND CLAIMS

The Bank was not involved in any legal proceedings as of December 31, 1999 and 1998 apart from those related to loan recovery.

35. UNCERTAINTIES

Economic uncertainties in the Republic of Belarus

There is a considerable degree of uncertainty in the Republic of Belarus surrounding the continued success of domestic economic policy. Furthermore, the recoverability of the Bank's loans and advances to domestic commercial banks, as well as their financial situations and consequently their ability to repay the loans, largely depends on the future direction of the economic policy of the Government of the Republic of Belarus.

The management of the Bank has made its best estimate on recoverability and classification of recorded assets and liabilities. While management of the Bank believes that adjusted amounts represent their net realizable value and that any further deterioration in the economic or political stability of these countries will not have a material affect on the operations of the Bank, this can not be predicted with absolute certainty and the future operations of the Bank may continue to be affected by economic difficulties of these countries.