Translation from original in Russian

BPS-Sberbank
Consolidated Financial Statements

For the Year Ended 31 December 2012
With Independent Auditors' Report

BPS-SBERBANK

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Independent auditors' report

To the Shareholders, the Supervisory Board and the Management Board of JSC "BPS-Bank"

We have audited the accompanying consolidated financial statements of JSC "BPS-Bank" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, 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.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

28 March 2013

Consolidated statement of financial position
As at 31 December 2012

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

	Notes	31 December 2012	31 December 2011
Assets:			
Cash and cash equivalents	4, 29	3,986,250	5,449,660
Mandatory cash balances with the National Bank of the Republic of Belarus		187,515	90,250
Due from banks	5	179,591	165,175
Derivative financial assets	6	5,606,181	6,340,159
Loans to corporate customers	7, 29	18,115,503	14,606,028
Loans to individuals	7, 29	972,506	1,257,625
Non-current asset held for sale	8	15,637	20,031
Investments available for sale	9	741,414	705,617
Investments held to maturity	10	516,396	43,943
Investments in associates	11, 29	37,729	21,912
Premises and equipment	12	1,025,857	1,040,917
Intangible assets	12	79,311	49,182
Current income tax assets		114,439	17,279
Other assets	13	256,075	208,800
Total assets		**31,834,404**	**30,016,578**
Liabilities and equity			
Liabilities:			
Loans from the National Bank of the Republic of Belarus	14	292,712	367,810
Due to banks	15, 29	9,827,771	10,471,213
Derivative financial liabilities	6	45,684	-
Due to individuals	16, 29	7,759,184	6,642,703
Due to corporate customers	16, 29	9,183,086	7,685,734
Debt securities issued	17	1,144,841	1,421,589
Current income tax liabilities		120,634	94,963
Deferred income tax liabilities	27	87,024	147,141
Provisions for guarantees and other commitments	21	10,816	6,390
Other liabilities	18	211,340	143,631
Subordinated debt	29	453,960	525,910
Total liabilities		**29,137,052**	**27,507,084**
Equity:			
Share capital	19	2,215,132	2,168,123
Revaluation reserve for premises		275,760	365,515
Investments available for sale fair value (deficit)/reserve		(32,953)	(82,040)
Retained earnings		239,193	57,692
Total equity attributable to shareholders of the Bank		**2,697,132**	**2,509,290**
Non-controlling interest		220	204
Total equity		**2,697,352**	**2,509,494**
Total liabilities and equity		**31,834,404**	**30,016,578**

Signed and authorized for release on behalf of the Management Board

Chairman of the Board	Chief Accountant
Vasili S. Matyushevski	Anatoly V. Boreiko
1 March 2013	1 March 2013
Minsk	Minsk

Consolidated income statement
For the year ended 31 December 2012

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

	Notes	*Year ended 31 December 2012*	*Year ended 31 December 2011*
Interest income	20, 29	3,837,786	3,174,718
Interest expense	20, 29	(2,364,267)	(1,647,227)
Net interest income before provision for impairment losses on interest bearing assets		**1,473,519**	**1,527,491**
Provision for impairment losses on interest bearing assets	21, 29	(308,069)	(452,145)
Net interest income		**1,165,450**	**1,075,346**
Fee and commission income	22, 29	862,390	783,384
Fee and commission expense	22, 29	(223,583)	(233,482)
Net gains/(losses) arising from investment securities available for sale		30,853	(2,659)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	23	252,249	456,129
Net (losses)/gains arising from operations with precious metals, precious metals derivatives and precious metals translations gains	23	(138,298)	75,366
Negative revaluation of office premises	12	(9,138)	(10,804)
Net gains from disposal of subsidiary	24	-	27,792
Other (provisions)/reversal of provisions	21	(5,565)	7,735
Impairment of non-current asset held for sale	8	(1,145)	(16,415)
Other income	25	45,789	42,708
Net non-interest income		**813,552**	**1,129,754**
Operating income		1,979,002	2,205,100
Operating expenses	26	(1,282,157)	(968,244)
Share of results of an associate	11	19,481	17,380
Profit before loss on net monetary position		**716,326**	**1,254,236**
Loss on net monetary position due to inflation effect		(371,426)	(1,068,787)
Profit before income taxes		**344,900**	**185,449**
Income tax expense	27	(110,656)	(293,790)
Net profit/(loss)		**234,244**	**(108,341)**
Attributable to:			
Shareholders of the parent Bank		234,228	(108,328)
Minority interest		16	(13)
		234,244	**(108,341)**

Signed and authorized for release on behalf of the Management Board

Chairman of the Board
Vasili S. Matyushevski
1 March 2013
Minsk

Chief Accountant
Anatoly V. Boreiko
1 March 2013
Minsk

Consolidated statement of comprehensive income
For the year ended 31 December 2012

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

	Year ended 31 December 2012	*Year ended 31 December 2011*
Net profit/(loss)	**234,244**	**(108,341)**
Other comprehensive income		
Net change in fair value remeasurement of office premises	(97,730)	(9,269)
Net change in income tax relating to office premises remeasurement	14,357	(15,298)
Net change in fair value of investments available for sale	79,940	(87,881)
Reclassification adjustments for gains/(losses) included in profit or loss from comprehensive income on disposal of investments available for sale	(30,853)	2,659
Other comprehensive loss	**(34,286)**	**(109,789)**
Total comprehensive income/(loss)	**199,958**	**(218,130)**
Attributable to:		
Shareholders of the parent	199,942	(218,117)
Minority interest	16	(13)
Total comprehensive income/(loss)	**199,958**	**(218,130)**

Consolidated statement of changes in equity
For the year ended 31 December 2012
(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

	Notes	*Share capital*	*Revalua-tion reserve for office premises*	*Invest-ments available for sale fair value reserve*	*Retained earnings*	*Total equity attribu-table to sharehol-ders of the parent*	*Minority interest*	*Total equity*
31 December 2010		**2,168,123**	**401,162**	**3,182**	**162,974**	**2,735,441**	**217**	**2,735,658**
Total comprehensive income for the year		-	(24,567)	(85,222)	(108,328)	(218,117)	(13)	**(218,130)**
Amortisation of revaluation reserve for premises, net of tax		-	(7,523)	-	7,523	-	-	**-**
Disposal of premises		-	(3,557)	-	3,557	-	-	**-**
Dividends paid	19	-	-	-	(8,034)	(8,034)	-	**(8,034)**
31 December 2011		**2,168,123**	**365,515**	**(82,040)**	**57,692**	**2,509,290**	**204**	**2,509,494**
Total comprehensive income for the year		-	(83,373)	49,087	234,228	199,942	16	**199,958**
Capitalization of statutory reserves		47,009	-	-	(47,009)	-	-	**-**
Amortisation of revaluation reserve for premises, net of tax		-	(6,382)	-	6,382	-	-	**-**
Dividends paid	19	-	-	-	(12,100)	(12,100)	-	**(12,100)**
31 December 2012		**2,215,132**	**275,760**	**(32,953)**	**239,193**	**2,697,132**	**220**	**2,697,352**

Consolidated statement of cash flows
For the year ended 31 December 2012

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

	Notes	*Year ended 31 December 2012*	*Year ended 31 December 2011*
Cash flows from operating activities:			
Interest income		3,776,709	2,914,960
Interest expense		(2,351,394)	(1,515,670)
Fee and commission income		862,390	783,384
Fee and commission expense		(223,583)	(233,482)
Net gain on foreign exchange operations		235,029	208,712
Net gain on derivative financial instruments		116,833	191,205
Net gain on disposal of investments available for sale		30,853	(2,659)
Net gain on precious metals		33,064	29,067
Other income		45,789	23,198
Operating expenses		(1,186,527)	(879,097)
Income taxes paid		(187,833)	(132,107)
Cash flows from operating activities before changes in operating assets and liabilities		**1,151,330**	**1,387,511**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of the Republic of Belarus		(113,351)	(59,252)
Due from banks		(73,636)	275,080
Loans to corporate customers		(5,944,346)	(2,871,603)
Loans to individuals		59,305	(61,249)
Other assets		(48,979)	9,453
Increase/(decrease) in operating liabilities:			
Loans from the National Bank of the Republic of Belarus		(19,749)	(19,341)
Due to banks		738,445	621,450
Due to individuals		2,091,729	1,168,391
Due to corporate customers		2,595,381	2,747,149
Debt securities issued		(76,147)	391,590
Other liabilities		54,383	(81,627)
Net cash inflow from operating activities		**414,365**	**3,507,552**

Consolidated statement of cash flows
For the year ended 31 December 2012 (continued)

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Cash flows from investing activities:			
Purchase of premises, equipment and intangible assets		(207,649)	(148,482)
Proceeds on sale of premises and equipment		468	36,627
Proceeds on sale of non-current assets held for sale		3,249	1,157
Purchase of investments available for sale		(368,110)	(116,625)
Proceeds on repayment of investments available for sale		221,377	69,713
Purchase of investments held to maturity		(485,907)	(8,506)
Dividends received	11	565	336
Proceeds on repayment of investments held to maturity		-	18,262
Proceeds on disposal of subsidiary		-	3,673
Net cash outflow from investing activities		**(836,007)**	**(143,845)**
Cash flows from financing activities:			
Subordinated debt received		-	525,910
Dividends paid		(11,429)	(7,407)
Net cash inflow from financing activities		**(11,429)**	**518,503**
Effect of changes in foreign exchange rates on cash and cash equivalents		42,342	554,601
Inflation effect on monetary assets and liabilities		(1,072,681)	(2,177,174)
Net (decrease)/increase in cash and cash equivalents		**(433,071)**	**3,882,210**
Cash and cash equivalents, beginning of year	4	**5,449,660**	**3,190,023**
Cash and cash equivalents, end of year	4	**3,986,250**	**5,449,660**

During the year 2012 the Bank has capitalized statutory reserves of previous years, comprised of retained earnings in the sum of BYR 8,271 mln and revaluation reserves of office premises, included in the Bank's share capital, in the sum of BYR 38,738 mln. Thus, the Bank has increased the nominal of one share to BYR 500.

Notes to consolidated financial statements
For the year ended 31 December 2012
(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

1. Organisation

Open Joint-Stock Company "BPS-Sberbank" (previous name – "BPS-Bank"), or BPS-Sberbank (the "Bank"), was established from the Belarusian branch of Promstroibank USSR and registered with the National Bank of the Republic of Belarus (the "National Bank") as a closed joint-stock company on 28 December 1991. On 17 February 1993 the Bank was reorganized into an open joint stock company and accordingly registered by the National Bank. The Bank conducts its business under Common License for performing banking operations # 4 issued on 10 October 2011. The Bank accepts deposits from the public, issues loans and transfers payments in the Republic of Belarus and abroad, exchanges currencies and provides other banking services to its commercial and retail customers, including cash collection and operations with precious metals.

The registered office of the Bank is located at 6 Mulyavin Boulevard, 220005, Minsk, Republic of Belarus. As at 31 December 2012 the Bank had 6 regional establishments and 36 outlets, as well as representative office in the Republic of Poland, Warsaw.

The average number of employees of the Bank during 2012 and 2011 was 4,509 and 4,380 persons, respectively.

The Bank is a parent company of a banking group (the "Group") which consists of the following enterprises:

		Proportion of ownership interest/ voting rights, %		
Name	***Country of operation***	***2012***	***2011***	***Type of operation***
Closed Joint Stock Company "BPS-Leasing"	Republic of Belarus	50.0	50.0	Finance lease activities
Limited Liability Company "Narochanskaya Niva 2004"	Republic of Belarus	98.7	98.7	Agriculture
Closed Joint Stock Insurance Company "TASK"	Republic of Belarus	25.6	25.6	Insurance services
Closed Joint Stock Company "SB-Global"	Republic of Belarus	99.9	99.9	Advisory activity
LLC "Sberbank-Technologies"	Republic of Belarus	25.0	-	Software development and consulting
CJSC "Service Desk"	Republic of Belarus	99.9	-	Information and communication services

At 31 December 2012 and 2011 the following shareholders owned the issued shares of the Bank:

Shareholder	***31 December 2012, %***	***31 December 2011, %***
Sberbank	97.91	97.91
Other	2.09	2.09
Total	**100.00**	**100.00**

On 14 December 2009 Savings Bank of the Russian Federation (Sberbank) acquired 834,795,559 ordinary shares and 708,404 preference shares. The ultimate controlling party of Sberbank is the Bank of Russia.

These consolidated financial statements were authorized for issue by the Management Board on 1 March 2013.

Notes to consolidated financial statements
For the year ended 31 December 2012
(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

2. Basis of presentation

Accounting basis

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

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

These consolidated financial statements are presented in millions of Belarusian Roubles ("BYR million"), unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention with the hyperinflationary adjustments of non-monetary items, according to International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"), except for the revaluation of premises, the measurement at fair value of certain financial instruments.

The Group maintains its accounting records in accordance with the legislation of the Republic of Belarus. These consolidated financial statements are based on the Belarusian statutory accounting records and have been adjusted to conform to IFRS. These adjustments include certain measurement adjustments and reclassifications to reflect the economic substance of underlying transactions including reclassifications and adjustments of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Accounting for the effects of hyperinflation

With the effect from 1 January 2011, the Belarusian economy is considered to be hyperinflationary in accordance with the criteria in IAS 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29"). Accordingly, adjustments and reclassifications for the purposes of presentation of IFRS financial statements include restatement, in accordance with IAS 29, for changes in the general purchasing power of the Belarusian Rouble. The standard requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the reporting date.

In applying IAS 29, the Group has used conversion factors derived from the Belarusian consumer price index ("CPI"), published by the State Committee on Statistics of the Republic of Belarus. The CPIs for the seven year period and respective conversion factors after Belarus previously ceased to be considered hyperinflationary on 1 January 2006 were as follows:

Year	*Index, %*	*Conversion factors*
2006	106.46	389.89
2007	111.97	348.20
2008	113.45	306.93
2009	109.85	279.40
2010	110.03	253.94
2011	208.67	121.69
2012	121.69	100.00

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 31 December 2012. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 31 December 2012) are restated by applying the relevant index. The effect of inflation on the Group's net monetary position is included in the consolidated income statement as loss on net monetary position.

The application of IAS 29 results in an adjustment for the loss of purchasing power of the Belarusian Rouble recorded in profit or loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss/gain is derived as the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the consolidated statement of comprehensive income. Corresponding figures for the year ended 31 December 2011 have also been restated so that they are presented in terms of the purchasing power of the Belarusian Rouble as of 31 December 2012. Income and expense items of the consolidated income statement for the years 2012 and 2011 were restated on a quarterly basis with the use of average indexes for each quarter.

Notes to consolidated financial statements
For the year ended 31 December 2012
(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

2. Basis of presentation (continued)

Functional and presentation currency

The functional and presentation currency of these consolidated financial statements is the currency of the Republic of Belarus – Belarusian Rouble, the currency of the primary economic environment in which the Group operates.

3. Significant accounting policies

Basis of consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

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

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

Investments in an associate

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

Where a Group company transacts with the associate of the Group, profits are eliminated to the extent of the Group's interest in the associate; losses are also eliminated except when the transaction provides evidence of an impairment of the asset transferred.

Recognition and measurement of financial instruments

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

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

Notes to consolidated financial statements
For the year ended 31 December 2012
(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

3. Significant accounting policies (continued)

Recognition and measurement of financial instruments (continued)

'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Gains and losses are recognised in the consolidated income statement when the investments are impaired, as well as through the amortisation process.

Loans and receivables

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

Available-for-sale financial assets

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

Determination of fair value

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Notes to consolidated financial statements
For the year ended 31 December 2012
(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2012)

3. Significant accounting policies (continued)

Recognition and measurement of financial instruments (continued)

Reclassification of financial assets

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

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

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

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

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

Financial liabilities

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

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

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to consolidated financial statements
For the year ended 31 December 2012

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3. Significant accounting policies (continued)

Impairment of financial assets (continued)

Amounts due from credit institutions and loans to customers

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

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a 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 purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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

Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, 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. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the consolidated income statement.

Available-for-sale financial investments

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

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For the year ended 31 December 2012
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3. Significant accounting policies (continued)

Impairment of financial assets (continued)

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

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

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The accounting treatment of such restructuring is as follows:

- If the currency of the loan has been changed the old loan is derecognised and the new loan is recognised.
- If the loan restructuring is not caused by the financial difficulties of the borrower the Group uses the same approach as for financial liabilities described below.
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Group recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Cash and cash equivalents

Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Belarus with original maturity within 30 days, loans and advances to banks and reverse sale and repurchase agreements with original maturity within 30 days, except for guarantee deposits and other amounts of a restricted nature. For purposes of determining cash flows, the mandatory reserve deposit required by the National Bank of the Republic of Belarus is not included as a cash equivalent due to restrictions on its availability.

Mandatory cash balances with the National Bank of the Republic of Belarus

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

Precious metals

Gold and other precious metals are recorded at bid prices of the National bank of the Republic of Belarus, which approximate fair values and are quoted at a discount to London Bullion Market rates. Changes in the National bank bid prices are recorded as translation differences from precious metals in other income.

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3. Significant accounting policies (continued)

Due from banks

In the normal course of business the Group maintains advances and deposits for various periods of time with other banks and financial institutions. Amounts due from other banks and other financial institutions are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Due from banks and other financial institutions are initially recognized at fair value. Due from banks and other financial institutions are subsequently measured at amortized cost using the effective interest method. Amounts due from banks and other financial institutions are carried net of any allowance for impairment losses.

Derivative financial instruments

The Group enters into derivative financial instruments to manage currency and liquidity risks. Derivatives entered into by the Group include foreign currency swaps and swaps with precious metals. Derivative financial instruments entered into by the Group are not designated as hedges and do not qualify for hedge accounting according to IAS 39.

Derivative financial instruments are initially recorded and subsequently measured at fair value. Derivative fair values are determined from quoted prices in active markets where available. Where there is no active market for an instrument, fair value is derived using appropriate pricing or valuation models. Fair values for foreign currency contracts and precious metals contracts which do not have quoted prices available are obtained from the interest rates parity model, using risk-free rates prevailing on the market of the Republic of Belarus. The results of the valuation of derivatives are reported in assets (aggregate of positive market values) or liabilities (aggregate of negative market values), respectively. Both positive and negative valuation results are recognized in the consolidated income statement for the period in which they arise in net gain/(loss) on derivative financial instruments.

Securities repurchase and reverse repurchase agreements

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

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

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collateralized by securities and other assets and are classified within balances due from banks.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the consolidated income statement.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Belarus, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

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3. Significant accounting policies (continued)

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. The lease classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor

The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Before commencement of the lease premises and equipment purchased for future transfer to financial lease is recognized in the consolidated financial statements as other assets.

Operating leases

The Group as lessee

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

The Group as lessor

Lease income from operating leases is recognised in the consolidated income statement on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Premises, equipment and intangible assets

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

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

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

Notes to consolidated financial statements
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3. Significant accounting policies (continued)

Premises, equipment and intangible assets (continued)

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

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

Construction in progress is carried at historical cost restated for inflation less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

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

	31 December 2012	*31 December 2011*
Premises	1.0%	1.0%
Vehicles	12.5%	12.5%
Computer equipment	10.0%-20.0%	10.0%-20.0%
Furniture and other assets	10.0%-20.0%	10.0%-20.0%
Intangible assets	15.0%-33.0%	15.0%-33.0%

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

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Taxation

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

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Notes to consolidated financial statements
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3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset and reported net on the consolidated statement of financial position if:

- the Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- deferred income taxes assets and the deferred income taxes liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Republic of Belarus also has various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Due to banks, due to individuals, due to corporate customers and debt securities issued

Due to banks, due to individuals, due to corporate customers and debt securities issued are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized as interest expenses in the consolidated income statement over the period of the borrowings using the effective interest rate method.

Provisions

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

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit guarantees that provide for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Notes to consolidated financial statements
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3. Significant accounting policies (continued)

Contingencies

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

Share capital

Contributions to share capital are recognized at their initial cost restated for inflation. Non-cash contributions are included into the share capital at fair value of the contributed assets. Treasury shares are carried at cost restated for inflation. Non-redeemable preferred shares are classified as equity.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under International Accounting Standard 10 “Events after the Reporting Period” and disclosed accordingly.

Retirement and other benefit obligations

In accordance with the requirements of the Belarusian legislation, the Bank withholds amounts of pension contributions from employee salaries and pays them to the Social security fund. Such pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by the Social Security Fund. The Group does not have any pension arrangements separate from the State pension system of the Republic of Belarus and the Group has no significant post-retirement compensated benefits requiring accrual.

Recognition of income and expenses

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

Interest and similar income and expense

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

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

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3. Significant accounting policies (continued)

Recognition of income and expenses (continued)

Fee and commission income

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

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

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

- *Fee income from providing transaction services*

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

Dividend income

Revenue is recognised when the Groups' right to receive the payment is established.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange fixed by the National Bank of the Republic of Belarus at the date of the transaction. Monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated into BYR at the rate of exchange fixed by the National Bank of the Republic of Belarus at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated income statement in the account 'Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Differences between the contractual exchange rate of a transaction in a foreign currency and the National Bank of the Republic of Belarus exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies.

Rates of exchange

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

	31 December 2012	*31 December 2011*
BYR/USD	8,570.00	8,350.00
BYR/EUR	11,340.00	10,800.00
BYR/RUB	282.00	261.00

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3. Significant accounting policies (continued)

Segment reporting

The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (a) the combined reported profit of all operating segments that did not report a loss and (b) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10% or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the Group's revenue is included in reportable segments.

Areas of significant Management judgment and sources of estimation uncertainty

The preparation of the consolidated financial statements in accordance with IFRS requires Management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the reporting date, and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Although those estimates are based on the most recent information available to the Management on current actions and events, actual results may differ from these estimates under different assumptions or conditions.

The following estimates and judgments are considered important to the portrayal of the Group's financial condition:

Allowance for loan impairment

The Group regularly analyses its granted loans to assess for impairment. The Group considers accounting estimates related to allowance for impairment of loans to be a key source of estimation uncertainty because (a) they are highly susceptible to change from period to period as the assumptions of potential losses relating to impaired loans are based on recent quality of loan portfolio, and (b) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

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

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

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3. Significant accounting policies (continued)

Areas of significant Management judgment and sources of estimation uncertainty (continued)

Available-for-sale financial instruments

Available-for-sale financial instruments are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not observable, Management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable market data.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (a) it is highly susceptible to change from period to period because it requires Management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (b) the impact that recognizing a change in the valuations would have on the assets reported on its statement of financial position as well as its financial results of activity could be material.

Had Management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the on the financial results of the Group.

Deferred income tax assets

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductable temporary differences can be utilized. Estimation of probability is based on Management forecast of future taxable profit and is supplemented with subjective judgments by the Management of the Group.

Derivative financial instruments

Derivative financial instruments, representing foreign currency forwards do not have an active market and are measured using interest rates parity model. Fair values are determined using risk-free rates prevailing on the market of the Republic of Belarus. Calculation is based on the assumption that these factors provide reliable basis for assessment of fair forward rate.

Provisions for financial guarantees and other contingent liabilities

Provisions for financial guarantees and other contingent liabilities are measured in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, that requires application of Management estimation and judgment.

Revaluation of premises

The Group regularly reviews the value of its premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of premises does not differ from its fair value by more than 10%. The Group has conducted an impairment test on the buildings as at 31 December 2012. The impairment test was carried out under Group's own steam, using information about the current real estate transactions on the property market in Minsk and regions. Premises have been revalued to market value by an independent professional appraiser as at 1 January 2012. Revalued premises are depreciated in accordance with their remaining useful life since 1 January 2013.

The results received from the application of the above valuation methods, however, may not always correspond to the price of actual transactions on the real estate market.

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3. Significant accounting policies (continued)

Improvements to IFRSs

The amendments are effective for annual periods beginning on or after 1 January 2013. They will not have an impact on the Group.

IFRS 1 "First-time Adoption of International Financial Reporting Standards": This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.

IAS 1 "Presentation of Financial Statements": This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 "Property Plant and Equipment": This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 "Financial Instruments, Presentation": This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.

IAS 34 "Interim Financial Reporting": The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IFRS 9 "Financial Instruments"
IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The Group will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

IFRS 10 "Consolidated Financial Statements"
IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. It is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Currently the Group evaluates possible effect of the adoption of IFRS 10 on its financial position and performance.

IFRS 11 "Joint Arrangements"
IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Group expects that adoption of IFRS 11 will have no effect on its financial position and performance.

IFRS 12 "Disclosure of Interests in Other Entities"
IFRS 12 is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. In particular, the Group will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or which it has sponsored. However, the standard will have no impact on Group's financial position or performance.

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3. Significant accounting policies (continued)

Future changes in accounting policies (continued)

IFRS 13 "Fair Value Measurement"
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Group's assets and liabilities accounted for at fair value. Currently the Group evaluates possible effect of the adoption of IFRS 13 on its financial position and performance.

IAS 27 "Separate Financial Statements" (as revised in 2011)
As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

IAS 28 "Investments in Associates and Joint Ventures" (as revised in 2011)
As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 19 "Employee Benefits"
The IASB has published amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013, which involve major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. The Group expects that these amendments will have no impact on the Group's financial position.

Amendments to IAS 1 "Changes to the Presentation of Other Comprehensive Income"
The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net losses or gains on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

Amendments to IFRS 7 "Disclosures – Offsetting Financial assets and Financial Liabilities"
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Banks' financial position or performance and will become effective for annual periods beginning on or after 1 January 2013.

Amendments to IAS 32 – "Offsetting Financial Assets and Financial Liabilities"
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Group by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right ot offset in the event of default.

The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While many settlement systems are expected to meet the new criteria, some may not. As the impact of the adoption depends on the Group's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects.

These amendments become effective for annual periods beginning on or after 1 January 2014.

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3. Significant accounting policies (continued)

Future changes in accounting policies (continued)

Amendment to IFRS 1 "Government loans"
These amendments require firs-time adopters to apply the requirements of *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. The amendment will have no impact on the Group.

4. Cash and cash equivalents

	31 December 2012	*31 December 2011*
Cash	1,341,305	1,140,848
Current accounts with the National Bank	1,319,803	2,693,312
Correspondent accounts and placements with other banks with original maturities up to 30 days:		
- Belarus	400,038	579,468
- Other countries	728,189	871,285
Settlements with the Belarusian Currency and Stock Exchange	196,915	1
Reverse-repo agreements with original maturities up to 30 days	-	164,746
Total cash and cash equivalents	**3,986,250**	**5,449,660**

Correspondent accounts and placements with other banks and reverse-repo agreements with original maturities up to 30 days mostly represent balances with the largest foreign banks and top rated Belarus banks. Analysis by credit quality of the balances with counterparty banks at 31 December 2012 made on the basis of ratings of international rating agencies is as follows:

	Investment rating	*Speculative rating*	*Not rated*	*Total*
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Belarus	-	319,901	80,137	**400,038**
- Other countries	720,875	498	6,816	**728,189**
Total	**720,875**	**320,399**	**86,953**	**1,128,227**

Analysis by credit quality of the balances with counterparty banks at 31 December 2011 made on the basis of ratings of international rating agencies is as follows:

	Investment rating	*Speculative rating*	*Not rated*	*Total*
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Belarus	-	579,180	288	**579,468**
- Other countries	856,668	1,893	12,724	**871,285**
Reverse-repo agreements with original maturities up to 30 days	-	164,746	-	**164,746**
Total	**856,668**	**745,819**	**13,012**	**1,615,499**

Rating definitions in the tables above represent the rating scale developed by the international rating agencies.

As at 31 December 2012 and 2011 all cash and cash equivalents are neither past due nor impaired.

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5. Due from banks

Due from banks comprise:

	31 December 2012	*31 December 2011*
Time deposits and loans to banks:		
- Belarus	179,591	165,175
Total due from banks	**179,591**	**165,175**

Time deposits and loans to banks with original maturities over 30 days mostly represent balances with the largest foreign banks, top rated Belarus banks.

Analysis by credit quality of the balances with counterparty banks at 31 December 2012 made on the basis of ratings of international rating agencies is as follows:

	Speculative rating	*Not rated*	*Total*
Time deposits and loans to banks:			
- Belarus	179,591	-	**179,591**
Total	**179,591**	**-**	**179,591**

Analysis by credit quality of the balances with counterparty banks at 31 December 2011 made on the basis of ratings of international rating agencies is as follows:

	Speculative rating	*Not rated*	*Total*
Time deposits and loans to banks:			
- Belarus	134,487	30,688	**165,175**
Total	**134,487**	**30,688**	**165,175**

As at 31 December 2012 and 2011 included in due from banks were fixed amounts of BYR 942 million and BYR 1,116 million, respectively, placed as guarantee deposits on letters of credit, operations with plastic cards and travel checks, and settlements with international payment systems.

As at 31 December 2012 included in due from banks are long-term loans issued to JSC “Belagroprombank” under the Government’s program on financing for acquisition of agricultural equipment for the total amount of BYR 87,269 million with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National Bank.

As at 31 December 2011 included in due from banks were long-term loans issued to JSC “Belarusbank” and JSC “Belagroprombank” under the Government’s program on financing for acquisition of agricultural equipment for the total amount of BYR 101,346 million.

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6. Derivative financial instruments

At 31 December 2012 and 2011 derivative financial instruments comprise:

Derivative type	*Nominal amount (in units of currency to be purchased)*	*Fair Value at 31 December 2012*	
		Asset	*Liability*
EUR/BYR foreign currency swap	EUR 340,709,341	2,603,832	-
XAU/BYR precious metals swap	XAU 7,510,000	2,423,471	-
USD/BYR foreign currency swap	USD 113,551,933	577,229	14,624
USD/XAU foreign currency swap	USD 6,311,275	1,432	-
RUR/EUR foreign currency forward	RUR 220,573,952	103	2,209
EUR/USD foreign currency spot	EUR 1,800,000	58	-
RUR/USD foreign currency swap	RUR 20,000,000	32	-
XAU/EUR precious metals swap	XAU 741,507	24	26,615
EUR/RUR foreign currency spot	EUR 1,000,000	-	25
USD/RUR foreign currency swap	USD 700,000	-	32
XPT/EUR precious metals swap	XPT 97,976	-	2,179
Total derivative financial instruments		**5,606,181**	**45,684**

Derivative type	*Nominal amount (in units of currency to be purchased)*	*Fair Value at 31 December 2011*	
		Asset	*Liability*
EUR/BYR foreign currency swap	EUR 340,709,341	2,862,744	-
XAU/BYR precious metals swap	XAU 7,515,014	2,709,580	-
USD/BYR foreign currency swap	USD 122,862,517	767,835	-
Total derivative financial instruments		**6,340,159**	**-**

At 31 December 2012 and 2011 derivative financial instruments mainly comprised swap contracts with the National Bank to purchase Belarusian Roubles for foreign currency and precious metals.

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7. Loans to customers

The tables below show credit quality of the Group’s loan portfolio by loan classes as at 31 December 2012 and 2011.

For the purposes of these consolidated financial statements a loan is considered past due when the borrower fails to make any payment due under the loan agreement at the reporting date. In this case a past due amount is recognised as the aggregate amount of all amounts due from borrower under the loan agreement including accrued interest and commissions.

31 December 2012	***Not past due loans***	***Past due loans***	***Total***
Commercial loans to legal entitie.	10,555,821	242,573	**10,798,394**
Specialized loans to legal entities	7,650,683	518,098	**8,168,781**
Consumer and other loans to individuals	525,915	7,650	**533,565**
Mortgage loans to individuals	460,220	6,887	**467,107**
Car loans to individuals	15,804	222	**16,026**
Total loans to customers before allowance for loan impairment	**19,208,443**	**775,430**	**19,983,873**
Less: Allowance for loan impairment	(738,769)	(157,095)	**(895,864)**
Total loans to customers net of allowance for loan impairment	**18,469,674**	**618,335**	**19,088,009**

31 December 2011	***Not past due loans***	***Past due loans***	***Total***
Commercial loans to legal entities	8,262,648	184,455	**8,447,103**
Specialized loans to legal entities	6,099,720	725,315	**6,825,035**
Consumer and other loans to individuals	710,787	12,661	**723,458**
Mortgage loans to individuals	546,720	13,213	**559,933**
Car loans to individuals	23,810	1,083	**24,893**
Total loans to customers before allowance for loan impairment	**15,643,685**	**936,727**	**16,580,412**
Less: Allowance for loan impairment	(572,568)	(144,191)	**(716,759)**
Total loans to customers net of allowance for loan impairment	**15,071,117**	**792,536**	**15,863,653**

Commercial lending to legal entities comprises corporate loans, loans to individual entrepreneurs and municipal authorities of the Republic of Belarus. Loans are granted for current needs (working capital financing, acquisition of movable and immovable property, portfolio investments, expansion and consolidation of business, etc.). Commercial lending also includes overdraft lending and lending for export-import transactions. The repayment source is cash flow from current production and financial activities of the borrower.

Specialised lending to legal entities includes investment and construction project financing and also developers’ financing. As a rule, loan terms are linked to payback periods of investment and construction projects, contract execution periods and exceed the terms of commercial loans to legal entities. The principal and interest may be repaid from cash flows generated by the investment project at the stage of its commercial operation.

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans. These loans include loans for current needs and overdrafts.

Mortgage loans to individuals include loans for acquisition, construction and reconstruction of real estate. These loans are mostly long-term and are collateralized by guarantees of individuals.

Car loans to individuals include loans for purchasing a car or other vehicle.

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7. Loans to customers (continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2012:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities				
Collectively assessed				
Not past due	9,296,040	(203,814)	9,092,226	2.2%
Loans up to 30 days overdue	54,692	(1,518)	53,174	2.8%
Loans 31 to 60 days overdue	43,843	(1,194)	42,649	2.7%
Loans 61 to 90 days overdue	8,333	(239)	8,094	2.9%
Loans 91 up to 180 days overdue	4,979	(160)	4,819	3.2%
Loans over 180 days overdue	43,079	(10,131)	32,948	23.5%
Total collectively assessed loans	**9,450,966**	**(217,056)**	**9,233,910**	**2.3%**
Individually impaired				
Not past due	1,259,781	(108,786)	1,150,995	8.6%
Loans up to 30 days overdue	15,841	(3,102)	12,739	19.6%
Loans 31 to 60 days overdue	-	-	-	-
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	-	-	-	-
Loans over 180 days overdue	71,806	(39,786)	32,020	55.4%
Total individually impaired loans	**1,347,428**	**(151,674)**	**1,195,754**	**11.3%**
Total commercial loans to legal entities	**10,798,394**	**(368,730)**	**10,429,664**	**3.4%**
Specialized loans to legal entities				
Collectively assessed				
Not past due	6,224,091	(188,891)	6,035,200	3.0%
Loans up to 30 days overdue	49,582	(1,347)	48,235	2.7%
Loans 31 to 60 days overdue	26,983	(745)	26,238	2.8%
Loans 61 to 90 days overdue	25,771	(719)	25,052	2.8%
Loans 91 up to 180 days overdue	10,345	(288)	10,057	2.8%
Loans over 180 days overdue	11,259	(1,674)	9,585	14.9%
Total collectively assessed loans	**6,348,031**	**(193,664)**	**6,154,367**	**3.1%**
Individually impaired				
Not past due	1,426,592	(195,298)	1,231,294	13.7%
Loans up to 30 days overdue	278,642	(82,273)	196,369	29.5%
Loans 31 to 60 days overdue	42,020	(2,255)	39,765	5.4%
Loans 61 to 90 days overdue	146	(5)	141	3.4%
Loans 91 up to 180 days overdue	49	(14)	35	28.6%
Loans over 180 days overdue	73,301	(9,433)	63,868	12.9%
Total individually impaired loans	**1,820,750**	**(289,278)**	**1,531,472**	**15.9%**
Total specialized loans to legal entities	**8,168,781**	**(482,942)**	**7,685,839**	**5.9%**
Total loans to legal entities	**18,967,175**	**(851,672)**	**18,115,503**	**4.5%**

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7. Loans to customers (continued)

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Consumer and other loans to individuals				
Collectively assessed				
Not past due	525,915	(22,287)	503,628	4.2%
Loans up to 30 days overdue	4,285	(294)	3,991	6.9%
Loans 31 to 60 days overdue	1,226	(165)	1,061	13.5%
Loans 61 to 90 days overdue	470	(131)	339	27.9%
Loans 91 up to 180 days overdue	1,019	(563)	456	55.3%
Loans over 180 days overdue	650	(650)	-	100.0%
Total consumer and other loans to individuals	**533,565**	**(24,090)**	**509,475**	**4.5%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	460,220	(19,190)	441,030	4.2%
Loans up to 30 days overdue	4,250	(187)	4,063	4.4%
Loans 31 to 60 days overdue	1,140	(52)	1,088	4.6%
Loans 61 to 90 days overdue	310	(18)	292	5.8%
Loans 91 up to 180 days overdue	1,154	(80)	1,074	6.9%
Loans over 180 days overdue	33	(33)	-	100.0%
Total mortgage loans to individuals	**467,107**	**(19,560)**	**447,547**	**4.2%**
Car loans to individuals				
Collectively assessed				
Not past due	15,804	(503)	15,301	3.2%
Loans up to 30 days overdue	141	(8)	133	5.7%
Loans 31 to 60 days overdue	7	(2)	5	28.6%
Loans 61 to 90 days overdue	5	(2)	3	40.0%
Loans 91 up to 180 days overdue	43	(26)	17	60.5%
Loans over 180 days overdue	26	(1)	25	3.8%
Total car loans to individuals	**16,026**	**(542)**	**15,484**	**3.4%**
Total loans to individuals	**1,016,698**	**(44,192)**	**972,506**	**4.3%**
Total loans and advances to customers as at 31 December 2012	**19,983,873**	**(895,864)**	**19,088,009**	**4.5%**

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7. Loans to customers (continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2011:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities				
Collectively assessed				
Not past due	6,611,842	(141,564)	6,470,278	2.1%
Loans up to 30 days overdue	16,303	(28)	16,275	0.2%
Loans 31 to 60 days overdue	11,916	(73)	11,843	0.6%
Loans 61 to 90 days overdue	4,973	(54)	4,919	1.1%
Loans 91 up to 180 days overdue	33,156	(439)	32,717	1.3%
Loans over 180 days overdue	5,864	(1,218)	4,646	20.8%
Total collectively assessed loans	**6,684,054**	**(143,376)**	**6,540,678**	**2.1%**
Individually impaired				
Not past due	1,650,806	(96,409)	1,554,397	5.8%
Loans up to 30 days overdue	23,694	(6,564)	17,130	27.7%
Loans 31 to 60 days overdue	-	-	-	-
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	-	-	-	-
Loans over 180 days overdue	88,549	(28,660)	59,889	32.4%
Total individually impaired loans	**1,763,049**	**(131,633)**	**1,631,416**	**7.5%**
Total commercial loans to legal entities	**8,447,103**	**(275,009)**	**8,172,094**	**3.3%**
Specialized loans to legal entities				
Collectively assessed				
Not past due	4,298,690	(99,959)	4,198,731	2.3%
Loans up to 30 days overdue	2,684	(2)	2,682	0.1%
Loans 31 to 60 days overdue	12,965	(15)	12,950	0.1%
Loans 61 to 90 days overdue	3,879	(4)	3,875	0.1%
Loans 91 up to 180 days overdue	9,729	(443)	9,286	4.6%
Loans over 180 days overdue	9,108	(1,042)	8,066	11.4%
Total collectively assessed loans	**4,337,055**	**(101,465)**	**4,235,590**	**2.3%**
Individually impaired				
Not past due	1,801,030	(188,890)	1,612,140	10.5%
Loans up to 30 days overdue	442,792	(63,110)	379,682	14.3%
Loans 31 to 60 days overdue	145,392	(22,879)	122,513	15.7%
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	-	-	-	-
Loans over 180 days overdue	98,766	(14,757)	84,009	14.9%
Total individually impaired loans	**2,487,980**	**(289,636)**	**2,198,344**	**11.6%**
Total specialized loans to legal entities	**6,825,035**	**(391,101)**	**6,433,934**	**5.7%**
Total loans to legal entities	**15,272,138**	**(666,110)**	**14,606,028**	**4.4%**

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7. Loans to customers (continued)

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Consumer and other loans to individuals				
Collectively assessed				
Not past due	710,787	(21,964)	688,823	3.1%
Loans up to 30 days overdue	4,314	(221)	4,093	5.1%
Loans 31 to 60 days overdue	2,529	(235)	2,294	9.3%
Loans 61 to 90 days overdue	1,965	(215)	1,750	10.9%
Loans 91 up to 180 days overdue	2,732	(758)	1,974	27.7%
Loans over 180 days overdue	1,121	(1,121)	-	100.0%
Total consumer and other loans to individuals	**723,448**	**(24,514)**	**698,934**	**3.4%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	546,720	(22,975)	523,745	4.2%
Loans up to 30 days overdue	4,853	(248)	4,605	5.1%
Loans 31 to 60 days overdue	3,281	(196)	3,085	6.0%
Loans 61 to 90 days overdue	1,516	(117)	1,399	7.7%
Loans 91 up to 180 days overdue	2,347	(332)	2,015	14.1%
Loans over 180 days overdue	1,216	(1,216)	-	100.0%
Total mortgage loans to individuals	**559,933**	**(25,084)**	**534,849**	**4.5%**
Car loans to individuals				
Collectively assessed				
Not past due	23,810	(807)	23,003	3.4%
Loans up to 30 days overdue	539	(30)	509	5.6%
Loans 31 to 60 days overdue	49	(9)	40	18.4%
Loans 61 to 90 days overdue	151	(12)	139	7.9%
Loans 91 up to 180 days overdue	230	(79)	151	34.3%
Loans over 180 days overdue	114	(114)	-	100.0%
Total car loans to individuals	**24,893**	**(1,051)**	**23,842**	**4.2%**
Total loans to individuals	**1,308,274**	**(50,649)**	**1,257,625**	**3.9%**
Total loans and advances to customers as at 31 December 2011	**16,580,412**	**(716,759)**	**15,863,653**	**4.3%**

As defined by the Group for the purposes of internal credit risk assessment, loans fall into the “non-performing” category when a principal and/or interest payment becomes more than 90 days overdue.

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7. Loans to customers (continued)

As at 31 December 2012 the outstanding non-performing loans were as follows:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities	119,864	(50,077)	69,787	41.8%
Specialised loans to legal entities	94,954	(11,409)	83,545	12.0%
Consumer and other loans to individuals	1,669	(1,213)	456	72.7%
Mortgage loans to individuals	1,187	(113)	1,074	9.5%
Car loans to individuals	69	(27)	42	39.1%
Total non-performing loans to customers as at 31 December 2012	**217,743**	**(62,839)**	**154,904**	**28.9%**

As at 31 December 2011 the outstanding non-performing loans were as follows:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities	127,569	(30,317)	97,252	23.8%
Specialised loans to legal entities	117,603	(16,242)	101,361	13.8%
Consumer and other loans to individuals	3,853	(1,879)	1,974	48.8%
Mortgage loans to individuals	3,563	(1,548)	2,015	43.4%
Car loans to individuals	344	(193)	151	56.1%
Total non-performing loans to customers as at 31 December 2011	**252,932**	**(50,179)**	**202,753**	**19.8%**

Movements in allowances for impairment losses for the years ended 31 December 2012 and 2011 are disclosed in Note 21.

Information on loans which terms have been renegotiated, as at 31 December 2012 and 2011 is presented in the tables below. It shows the carrying amount for renegotiated loans by class.

	Commercial loans to legal entities	*Specialised loans to legal entities*	*Total*
Not past due collectively assessed loans	3,260	2,076	**5,336**
Total renegotiated loans before allowance for loan impairment as at 31 December 2012	**3,260**	**2,076**	**5,336**

	Commercial loans to legal entities	*Specialised loans to legal entities*	*Total*
Not past due collectively assessed loans	2,921	4,596	**7,517**
Other renegotiated loans	-	596	**596**
Total renegotiated loans before allowance for loan impairment as at 31 December 2011	**2,921**	**5,192**	**8,113**

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7. Loans to customers (continued)

Included in commercial loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 31 December 2012 and 2011 is as follows:

	31 December 2012	*31 December 2011*
Gross investment in finance lease	266,507	243,178
Unearned future finance income on finance lease	(80,983)	(72,836)
Net investment in finance lease before provision for impairment	**185,524**	**170,342**
Less provision for impairment	(9,296)	(18,750)
Net investment in finance lease after provision for impairment	**176,228**	**151,592**

The contractual maturity analysis of net investments in finance lease as at 31 December 2012 is as follows:

	Net investment in finance lease before allowance for impairment	*Allowance for loan impairment*	*Net investment in finance lease after allowance for impairment*
Not later than 1 year	71,365	(3,576)	67,789
Later than 1 year but not later than 5 years	114,143	(5,719)	108,424
Later than 5 years	16	(1)	15
Total as at 31 December 2012	**185,524**	**(9,296)**	**176,228**

The contractual maturity analysis of net investments in finance lease as at 31 December 2011 is as follows:

	Net investment in finance lease before allowance for impairment	*Allowance for loan impairment*	*Net investment in finance lease after allowance for impairment*
Not later than 1 year	74,253	(8,173)	66,080
Later than 1 year but not later than 5 years	92,189	(10,147)	82,042
Later than 5 years	3,900	(430)	3,470
Total as at 31 December 2011	**170,342**	**(18,750)**	**151,592**

The analysis of minimal finance lease receivables as at 31 December 2012 and 2011 per contractual maturity is as follows:

	31 December 2012	*31 December 2011*
Not later than 1 year	110,205	106,229
Later than 1 year but not later than 5 years	156,285	129,190
Later than 5 years	17	7,759
Total	**266,507**	**243,178**

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7. Loans to customers (continued)

Economic sector risk concentrations within the customer loan portfolio as at 31 December 2012 and 2011 are as follows:

	31 December 2012		*31 December 2011*	
	Amount	***%***	***Amount***	***%***
Machinery and equipment	3,772,254	18.8	3,390,918	20.4
Trade and catering	2,541,359	12.7	1,128,113	6.8
Financial services	1,799,301	9.0	761,848	4.7
Timber and woodworking industry	1,595,577	8.0	1,081,427	6.5
Chemical and oil refinery industry	1,592,508	8.0	2,088,242	12.6
Food	1,524,047	7.6	429,708	2.6
Construction	1,292,025	6.5	1,385,078	8.3
Transport and communication	1,172,973	5.9	967,849	5.6
Individuals	1,016,698	5.1	1,308,277	7.9
Energy and fuel	934,173	4.7	1,160,825	7.0
Building materials	743,291	3.7	925,398	5.8
Light industry	618,980	3.1	413,660	2.5
Mining	491,385	2.5	697,403	4.2
Metallurgy	387,141	1.9	469,490	2.8
Agriculture	226,306	1.1	270,815	1.6
Other	275,855	1.4	101,361	0.6
Total loans to customers before allowance for loan impairment	**19,983,873**	**100.0**	**16,580,412**	**100.0**

The table below summarizes the amount of loans secured by collateral, rather than the fair value of the collateral itself:

	31 December 2012	*31 December 2011*
Loans collateralized by equipment and rights thereon	4,565,437	3,169,418
Loans collateralized by real estate or rights thereon	3,392,251	2,190,313
Loans collateralized by lien over receivables	3,321,349	3,887,468
Loans collateralized by inventories	2,665,449	2,011,937
Loans collateralized by guarantees of the Government and local authorities	2,657,716	2,348,460
Loans collateralized by other types of collateral	1,072,379	340,921
Loans collateralized by guarantees of enterprises	968,188	1,187,268
Loans collateralized by guarantees of individuals	801,976	1,132,316
Loans collateralized by cash or guarantee deposits	539,128	312,311
	19,983,873	**16,580,412**
Less allowance for loan impairment	(895,864)	(716,759)
Total loans to customers	**19,088,009**	**15,863,653**

As at 31 December 2012 the aggregated loan amount of 20 largest borrowers was BYR 6,971,892 million or 34.9% of the total gross loan portfolio of the Group (31 December 2011: BYR 7,108,506 million or 42.8%).

Interest income accrued on loans, for which individual impairment has been recognised, year ended 31 December 2012, comprised BYR 41,144 million (year ended 31 December 2011: BYR 79,809 million).

All loans are granted to companies operating in the Republic of Belarus, which represents significant geographical concentration in one region.

At 31 December 2012 loans to customers included specialized loans in USD in the amount of BYR 291,950 million provided to two borrowers (31 December 2011: BYR 367,437 million in USD provided to two borrowers) at 0.2% - 1.5% interest margin. The Group attracted long-term loans from the National Bank of the Republic of Belarus to provide these loans (Note 14).

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8. Non-current assets held for sale

Non-current assets held for sale comprise:

	Premises previously used by the Group	*Assets repossessed from the borrowers*	*Total non-current assets held for sale*
As at 31 December 2010	**23,730**	**894**	**24,624**
Assets classified as non-current assets held for sale in the reporting period	-	12,979	**12,979**
Impairment	(16,415)	-	**(16,415)**
Disposal	-	(1,157)	**(1,157)**
As at 31 December 2011	**7,315**	**12,716**	**20,031**
Impairment	(1,145)	-	**(1,145)**
Disposal	-	(3,249)	**(3,249)**
As at 31 December 2012	**6,170**	**9,467**	**15,637**

As at 31 December 2012 and 2011 premises previously used by the Group were classified as non-current assets held for sale and were accounted for in the consolidated statement of financial position at fair value less costs to sell. The Management has elaborated a plan to dispose premises. The sale transactions for these assets are expected to be completed in 2013.

As at 31 December 2012 assets repossessed from the borrowers include machinery equipment of a bankrupted borrower. The equipment was held by the borrower on conditions of a financial lease.

The premises held for sale have been revalued to fair value at 31 December 2012 and 2011. The impairment totaling BYR 1,145 million (2011: BYR 16,415 million) was recognised in the consolidated income statement.

9. Investments available for sale

Investments available for sale comprise:

	Interest to nominal, %	*31 December 2012*	*Interest to nominal, %*	*31 December 2011*
Republic of Belarus Eurobonds	8.75	226,781	8.70-8.75	405,896
Bonds of Belarusian banks	20.00	194,235	-	-
Long-term government bonds	10.00	190,486	10.00	174,187
Bonds of Belarusian companies	8.00-34.00	105,289	7.00-49.00	98,167
Shares	-	15,603	-	14,868
Bonds issued by municipalities	30.00	9,020	45.00	12,499
Total investments available for sale		**741,414**		**705,617**

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10. Investments held to maturity

Investments held to maturity comprise:

	Currency	*Maturity date*	*Interest to nominal*	*31 December 2012*
Bonds of Belarusian banks	BYR	October 2013	20.00%	327,136
Republic of Belarus Eurobonds	USD	August 2015	8.75%	151,143
Coupon long-term government bonds	BYR	September 2014	2.00%	25,980
Bonds issued by municipalities	BYR	July 2020	30.00%	10,614
Bonds of Belarusian companies	BYR	August 2013	34.00%	1,523
Total investments held to maturity				**516,396**

	Currency	*Maturity date*	*Interest to nominal*	*31 December 2011*
Coupon long-term government bonds	BYR	September 2014	2.00%	29,151
Bonds issued by municipalities	BYR	July 2020	45.00%	12,916
Bonds of Belarusian companies	BYR	August 2013	49.00%	1,876
Total investments held to maturity				**43,943**

11. Investments in associates

The following associates are accounted for under the equity method:

31 December 2012 *Name of the associate*	*Ownership*	*Country*	*Date of acquisition*	*Type of operation*
LLC "Sberbank-Technologies"	25.0%	Belarus	9 October 2012	Software development and consulting
Closed Joint Stock Company "BPS-Leasing"	50.0%	Belarus	14 February 2011	Finance lease activities
Closed Joint Stock Insurance Company "TASK"	25.6%	Belarus	11 June 1993	Insurance services

31 December 2011 *Name of the associate*	*Ownership*	*Country*	*Date of acquisition*	*Type of operation*
Closed Joint Stock Company "BPS-Leasing"	50.0%	Belarus	14 February 2011	Finance lease activities
Closed Joint Stock Insurance Company "TASK"	25.6%	Belarus	11 June 1993	Insurance services

Movements in investments in associates were:

	Year ended 31 December 2012	*Year ended 31 December 2011*
As at 1 January	21,912	8,756
Share of results of an associate for the period	19,481	17,380
Dividends	(565)	(336)
Inflation effect	(3,099)	(3,888)
As at 31 December	**37,729**	**21,912**

The following table illustrates summarised financial information of the associates:

Aggregated assets and liabilities of associates	*31 December 2012*	*31 December 2011*
Assets	403,076	350,885
Liabilities	266,273	272,109
Net assets	**136,803**	**78,776**

Aggregated revenue and profit of associates	*31 December 2012*	*31 December 2011*
Revenue	402,773	280,812
Profit	11,342	46,874

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12. Premises and equipment and intangible assets

Premises and equipment comprise:

	Notes	*Premises*	*Computer equipment*	*Vehicles*	*Furniture and other assets*	*Construc-tion in progress*	*Total*
Cost at 31 December 2010		803,528	180,766	64,737	348,234	22,776	**1,420,041**
Accumulated depreciation		(14,510)	(124,290)	(41,348)	(210,496)	-	**(390,644)**
Carrying amount at 31 December 2010		**789,018**	**56,476**	**23,389**	**137,738**	**22,776**	**1,029,397**
Additions		10,985	26,896	14,764	20,282	30,020	**102,947**
Transfers		-	15,663	-	640	(16,303)	**-**
Disposals – at cost		(12,979)	(6,213)	(4,141)	(19,474)	(756)	**(43,563)**
Disposals – accumulated depreciation		421	5,916	4,139	16,030	-	**26,506**
Depreciation charge	26	(14,718)	(25,507)	(6,374)	(28,800)	-	**(75,399)**
Negative revaluation of premises		(10,804)	-	-	-	-	**(10,804)**
Revaluation of premises recognised in other comprehensive income		(9,269)	-	-	-	-	**(9,269)**
Accumulated depreciation write off		28,186	-	-	-	-	**28,186**
Fixed assets of a disposed subsidiary		(3,752)	-	-	(3,025)	(307)	**(7,084)**
Carrying amount at 31 December 2011		**777,088**	**73,231**	**31,777**	**123,391**	**35,430**	**1,040,917**
Cost at 31 December 2011		777,088	217,112	75,360	346,657	35,430	**1,451,647**
Accumulated depreciation		-	(143,881)	(43,583)	(223,266)	-	**(410,730)**
Additions		10,826	52,102	14,788	51,515	44,593	**173,824**
Transfers		3,848	4,294	15,981	4,860	(28,983)	**-**
Disposals – at cost		(49)	(10,023)	(8,626)	(8,894)	(94)	**(27,686)**
Disposals – accumulated depreciation		35	10,019	8,590	8,394	-	**27,038**
Depreciation charge	26	(14,644)	(26,431)	(10,172)	(30,121)	-	**(81,368)**
Impairment of premises recognised on the income statement		(6,951)	-	-	(2,187)	-	**(9,138)**
Impairment of premises recognised in other comprehensive income		(97,730)	-	-	-	-	**(97,730)**
Carrying amount at 31 December 2012		**672,423**	**103,192**	**52,338**	**146,958**	**50,946**	**1,025,857**
Cost or fair value at 31 December 2012		672,423	263,485	97,503	391,951	50,946	**1,476,308**
Accumulated depreciation		-	(160,293)	(45,165)	(244,993)	-	**(450,451)**

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12. Premises and equipment and intangible assets (continued)

Premises have been revalued to fair value as at 31 December 2011. The revaluations were performed by the independent appraisers who used appropriate valuation techniques and information about real estate transactions on the local market. As at 31 December 2012 the Group has conducted an impairment test on the buildings, the results of which were recorded in the statement of comprehensive income and the income statement.

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

	31 December 2012	*31 December 2011*
Cost	1,232,120	1,093,842
Accumulated depreciation and impairment	(566,700)	(521,900)
Net carrying amount	**665,420**	**571,942**

At 31 December 2012 included in computer equipment are fully depreciated items in the amount of BYR 111,955 million (2011: BYR 74,901 million), in vehicles in the amount of BYR 18,517 million (2011: BYR 22,895 million) and in furniture and other assets in the amount of BYR 131,768 million (2011: BYR 114,860 million).

Movements in intangible assets presented in the table below:

	Notes	*Intangible assets*
Cost at 31 December 2010		75,395
Accumulated depreciation		(37,898)
Carrying amount at 31 December 2010		**37,497**
Additions		25,826
Disposals – at cost		(1,499)
Disposals – accumulated depreciation		1,104
Depreciation charge	26	(13,746)
Carrying amount at 31 December 2011		**49,182**
Cost at 31 December 2011		99,722
Accumulated depreciation		(50,540)
Additions		44,210
Disposals – at cost		(519)
Disposals – accumulated depreciation		484
Depreciation charge	26	(14,046)
Carrying amount at 31 December 2012		**79,311**
Cost at 31 December 2012		143,413
Accumulated depreciation		(64,102)

As at 31 December 2012 the Group's net prepayments for the fixed and intangible assets totaled BYR 9,324 million (2011: BYR 19,709 million).

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13. Other assets

Other assets comprise:

	31 December 2012	*31 December 2011*
Other financial assets:		
Settlement accounts on other banking services	135,168	85,697
Accrued income	4,504	3,598
Compensation payments from participation in government program on supporting national producers of consumer goods	869	4,180
Other	-	7
	140,541	**93,482**
Other non-financial assets:		
Taxes recoverable and prepaid, other than income taxes	30,094	15,761
Precious metals	21,198	30,839
Prepayments for premises, equipment and intangible assets	20,754	24,523
Prepaid expenses	20,333	18,104
Inventory	11,623	8,893
Prepayments for assets to be transferred into finance lease	-	5,202
Other advances and prepayments	11,532	11,996
	115,534	**115,318**
Total other assets	**256,075**	**208,800**

14. Loans from the National bank of the Republic of Belarus

At 31 December 2012 and 2011 the amounts due to the National Bank of the Republic of Belarus included long-term loans from the National Bank of the Republic of Belarus totaling BYR 292,712 million and BYR 367,810 million, respectively, granted in USD for further financing of two borrowers (Note 7). Contractually the Bank bears all credit risk and earns 0.2% - 1.5% interest margin on these agreements.

15. Due to banks

Due to banks comprise:

	31 December 2012	*31 December 2011*
Loans from banks and financial institutions	5,928,529	6,529,016
Loan in precious metals	3,426,784	3,768,373
Correspondent accounts of banks	389,870	173,824
Repo agreements	82,588	-
Total due to banks	**9,827,771**	**10,471,213**

At 31 December 2012 a balance of due to banks amounting to BYR 7,889,236 million was due to three counterparties, including BYR 7,127,558 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

At 31 December 2011 a balance of due to banks amounting to BYR 9,081,612 million was due to four counterparties, including BYR 7,908,014 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

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16. Due to individuals and due to corporate customers

Due to individuals and corporate customers comprise:

	31 December 2012	*31 December 2011*
Individuals:		
- Current/demand accounts	1,759,789	1,239,079
- Term deposits	5,999,395	5,403,624
Total due to individuals	**7,759,184**	**6,642,703**
State and public organisations:		
- Current/settlement accounts	146,796	75,337
- Term deposits	332,247	291,399
Total due to state and public organisations	**479,043**	**366,736**
Other corporate customers:		
- Current/settlement accounts	3,831,674	2,987,654
- Term deposits	4,872,369	4,331,344
Total due to other corporate customers	**8,704,043**	**7,318,998**
Total due to corporate customers	**9,183,086**	**7,685,734**
Total due to individuals and corporate customers	**16,942,270**	**14,328,437**

As at 31 December 2012 included in due to corporate customers are deposits of BYR 1,141,841 million (2011: BYR 639,335 million) held as collateral for irrevocable commitments under import letters of credit.

As at 31 December 2012 the aggregated balances of 20 largest customers was BYR 3,074,877 million or 18.1% of total due to individuals and corporate customers (2011: BYR 3,453,366 million or 24.1%).

Industry sector concentrations within customer accounts are as follows:

	31 December 2012		*31 December 2011*	
	Amount	***%***	***Amount***	***%***
Individuals	7,759,184	45.8	6,642,704	46.2
Machinery and equipment	1,541,780	9.1	1,668,293	11.6
Construction	1,406,639	8.3	569,106	4.0
Trade	1,372,638	8.1	859,549	6.0
Oil refinery and chemical industry	1,112,989	6.6	625,765	4.4
Insurance and other financial services	1,010,151	6.0	652,969	4.6
Transport and communications	695,825	4.1	627,855	4.4
Education	265,823	1.6	213,104	1.5
Energy	218,334	1.3	720,143	5.0
Woodworking and timber industry	218,216	1.3	80,098	0.6
Building materials industry	208,065	1.2	125,148	0.9
State and government bodies	109,867	0.6	84,498	0.6
Light industry	98,006	0.6	255,983	1.8
Metallurgy	74,744	0.4	76,308	0.5
Food	68,896	0.4	85,458	0.6
Mining	66,062	0.4	469,340	3.3
Agriculture	14,733	0.1	17,790	0.1
Other	700,318	4.1	554,326	3.9
Total due to individuals and corporate customers	**16,942,270**	**100.0**	**14,328,437**	**100.0**

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17. Debt securities issued

Debt securities issued comprise:

	Nominal interest rate, %	*31 December 2012*	*Nominal interest rate, %*	*31 December 2011*
Bonds issued to legal entities	5.0-30.0	1,021,577	5.5-49.5	1,319,622
Bonds issued to individuals	7.0-36.0	119,345	7.0-51.0	100,578
Certificates of deposit	21.0-37.0	3,917	48.0-59.0	1,387
Saving certificates	15.5-18.0	2	15.5-18.0	2
Total debt securities issued		**1,144,841**		**1,421,589**

Bonds issued to legal entities are interest-bearing securities issued by the Group. They are denominated in BYR, USD, RUR and Euro and have maturity dates from “on demand” to May 2014 (2011: from “on demand” to March 2013). Interest rates on such bonds vary from 5.0-7.0% (for bonds in USD, EUR and RUR) to 25.0-30.0% (for bonds in BYR) p.a. (2011: from 5.5% to 49.5% p.a.).

Bonds issued to individuals are interest-bearing securities issued by the Group. They are denominated in BYR, USD and Euro and have maturity dates from “on demand” to October 2014 (2011: from “on demand” to March 2013). Interest rates on such bonds vary from 7.0-10.0% (for bonds in USD and EUR) to 31.0-36.0% (for bonds in BYR) p.a. (2011: from 7.0% to 51.0% p.a.).

Certificates of deposit and saving certificates are interest-bearing securities issued by the Group. They are denominated in BYR and have maturity dates from “on demand” to December 2013 (2011: from “on demand” to January 2012). Interest rates on such securities vary from 15.5% to 37.0% p.a. (2011: from 15.5% to 59.0% p.a.).

18. Other liabilities

Other liabilities comprise:

	31 December 2012	*31 December 2011*
Other financial liabilities:		
Settlement accounts on other banking services	35,679	25,047
Accrued fee payable under documentary transactions and transactions with plastic cards	24,334	13,787
Payments due to other contractors	23,343	18,019
Payables for premises and equipment	4,278	52
Payables for assets to be transferred into finance lease	4,036	7,322
	91,670	**64,227**
Other non-financial liabilities:		
Unused leave and bonus accrual	68,018	15,104
Accrued contributions to deposits protection fund	22,909	19,276
Taxes payable, other than income taxes	27,848	44,563
Other	895	461
	119,670	**79,404**
Total other liabilities	**211,340**	**143,631**

Movements in allowance for losses on guarantees and other commitments for the years ended 31 December 2012 and 2011 are disclosed in Note 21.

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19. Share capital

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

	Number of shares		*Nominal amount, BYR*		*Inflation adjustment*	*Total, mln. BYR*
	Preferred	*Ordinary*	*Preferred*	*Ordinary*		
31 December 2010 and 2011	871,112	1,102,828,888	465	465	1,654,902	**2,168,123**
Increase in share nominal	871,112	1,102,828,888	35	35	8,380	**47,009**
31 December 2012	**871,112**	**1,102,828,888**	**500**	**500**	**1,663,282**	**2,215,132**

All ordinary shares are ranked equally and carry one vote. Preference shares are non-voting. Preference shares are entitled to annual dividend, the amount of which is determinable by annual shareholders meeting. For the year ended 31 December 2012 the Bank increased the nominal of one share to BYR 500.

During the year ended 31 December 2012 the Bank declared BYR 12,078 million and BYR 22 million dividends on ordinary and preference shares for the year 2011, respectively. The dividends were BYR 11 per ordinary share and BYR 25 per preference share.

During the year ended 31 December 2011 the Bank declared BYR 7,990 million and BYR 44 million dividends on ordinary and preference shares for the year 2010, respectively. The dividends were BYR 7 per ordinary share and BYR 56 per preference share.

In accordance with Belarussian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with Belarusian GAAP. The Bank had approximately BYR 724,295 million of undistributed and unreserved earnings as at 31 December 2012 (2011: BYR 809,046 million).

20. Net interest income before loan impairment

The net interest income before allowance for loan impairment comprises:

	Year ended 31 December 2012	*Year ended 31 December 2011*
Interest income		
Interest on loans to corporate customers	3,165,951	2,477,091
Interest on loans to individuals	275,056	397,414
Interest on due from banks	198,411	194,114
Interest on investments available for sale	172,664	94,716
Interest on investments held to maturity	20,930	9,857
Compensation payments on participation in government program	4,774	1,526
Total interest income	**3,837,786**	**3,174,718**
Interest expense		
Interest on due to corporate customers	980,047	461,190
Interest on due to individuals	703,376	600,007
Interest on deposits from banks	392,770	365,782
Interest on debt securities issued	261,582	184,717
Interest on deposits from National Bank	26,492	35,531
Total interest expense	**2,364,267**	**1,647,227**
Net interest income before allowance for loan impairment	**1,473,519**	**1,527,491**

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21. Allowance for loan impairment, other provisions

The movements in allowance for loan impairment were as follows:

	Commercial loans	*Specialized loans*	*Loans to individuals*			*Total*
			Consumer and other loans	*Mortgage loans*	*Car loans*	
31 December 2010	**236,109**	**277,277**	**35,043**	**40,000**	**2,653**	**591,082**
Allowance charge for the period	161,859	276,870	7,721	5,915	(220)	**452,145**
Amounts written off	-	(18,648)	-	-	-	**(18,648)**
Inflation effect	(122,959)	(144,398)	(18,250)	(20,831)	(1,382)	**(307,820)**
31 December 2011	**275,009**	**391,101**	**24,514**	**25,084**	**1,051**	**716,759**
Allowance charge/ (reversal of allowance) for the period	142,738	162,761	3,945	(1,053)	(322)	**308,069**
Amounts written off	-	(1,209)	-	-	-	**(1,209)**
Inflation effect	(49,017)	(69,711)	(4,369)	(4,471)	(187)	**(127,755)**
31 December 2012	**368,730**	**482,942**	**24,090**	**19,560**	**542**	**895,864**

The movements in provision on other transactions were as follows:

	Guarantees and other commitments
31 December 2010	**29,473**
Provision/(Reversal of provision)	(7,735)
Inflation effect	(15,348)
31 December 2011	**6,390**
Provision	5,565
Inflation effect	(1,139)
31 December 2012	**10,816**

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22. Fee and commission income and expense

Fee and commission income and expense comprise:

	Year ended 31 December 2012	*Year ended 31 December 2011*
Fee and commission income		
Salary transfer on card accounts and related cash withdrawals	240,880	226,706
Other operations with plastic cards	194,566	153,170
Settlement and cash operations with clients	157,267	156,531
Documentary operations	123,628	114,698
Foreign exchange operations	87,399	82,671
Cash delivery and collection	43,218	31,801
Settlements with banks	9,925	9,665
Securities operations	2,350	2,507
Other	3,157	5,635
Total fee and commission income	**862,390**	**783,384**
Fee and commission expense		
Plastic cards operations	116,451	94,642
Documentary operations	74,836	69,113
Correspondent bank services	13,284	11,781
Cash delivery and collection	10,331	10,918
Foreign exchange and cash operations	5,720	40,272
Other	2,961	6,756
Total fee and commission expense	**223,583**	**233,482**

23. Net gain on foreign exchange and precious metals operations

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2012	*Year ended 31 December 2011*
Net gains arising from trading in foreign currencies	235,029	208,712
Net foreign exchange translation losses	(262,048)	(3,340,122)
Net gains/(losses) from operations with foreign currency derivatives	279,268	3,587,539
Total net gain on foreign exchange operations	**252,249**	**456,129**

Net gain from operations with precious metals and precious metals derivatives:

	Year ended 31 December 2012	*Year ended 31 December 2011*
Net gains from operations with physical precious metals	33,064	29,067
Net precious metals translations losses	(359,333)	(2,663,281)
Net gains from operations with precious metals derivatives	187,971	2,709,580
Total net gain from operations with precious metals	**(138,298)**	**75,366**

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24. Net gains from disposal of subsidiary

On the February, 14th 2011, aiming at considerable expansion of CJSC "BPS-Leasing" operations JSC "BPS-Sberbank" has sold 1,500 of common shares of its leasing subsidiary to CJSC "Sberbank Leasing" of BYR 119,146 nominal value each for the total amount of BYR 178.7 million. JSC "BPS-Sberbank" has retained 50% of its shares in the entity. The Group treats its 50% share in CJSC "BPS-Leasing" as an investment in an associate.

	31 December 2011	*14 February 2011*
Net assets	7,152	(12,691)
Inflation effect	-	(14,171)
Proceeds from disposal of subsidiary	-	(234)
Net gain from disposal of subsidiary	-	27,792
The Group's 50% share in net assets of the associate CJSC "BPS-Leasing"	3,576	-

25. Other income

Other income comprises:

	Year ended 31 December 2012	*Year ended 31 December 2011*
Repayment of loans previously written off	19,326	11,651
Proceeds from non-banking activities of subsidiaries	12,177	3,516
Penalties received	3,296	552
Income from operating leases	320	385
Net gain from sale of premises, equipment and other assets	-	19,175
Income taxes overpaid	4,812	-
Other	5,858	7,429
Total other income	**45,789**	**42,708**

26. Operating expenses

Operating expenses comprise:

	Year ended 31 December 2012	*Year ended 31 December 2011*
Staff costs	533,992	395,045
Social security contribution	142,925	111,320
Other staff expenses	11,989	7,413
Personnel expenses	**688,906**	**513,778**
Depreciation and amortization	95,414	89,145
Contributions to deposits protection fund	89,444	70,179
Premises and equipment maintenance	62,082	39,740
Expenses on maintenance of banking software	56,811	45,816
Advertising costs	32,457	18,647
Operating leases	29,510	12,462
Security expenses	27,724	22,971
Taxes, other than income taxes	26,838	26,616
Stationery	23,792	5,078
Public utilities payments	23,774	20,323
Legal and consulting services	12,587	7,522
Vehicles maintenance and fuel expenses	10,545	8,130
Charity and sponsorship expenses	5,051	5,057
Communications	5,049	4,687
Net loss from sale of premises, equipment and other assets	215	-
Other expenses	91,958	78,093
Other operating expenses	**593,251**	**454,466**
Total operating expenses	**1,282,157**	**968,244**

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27. Income taxes

Income tax expense comprises the following:

	Year ended 31 December 2012	*Year ended 31 December 2011*
Current tax	130,190	214,114
Deferred tax	(33,891)	94,974
Less: Deferred tax recognised in other comprehensive income	14,357	(15,298)
Income tax expense	**110,656**	**293,790**

The Bank provides for current taxes based on the statutory tax accounts maintained and prepared in accordance with the Belarusian statutory tax regulations.

During the year ended 31 December 2011 the tax rate for the Bank and its subsidiaries (excluding Limited Liability Company "Narochanskaya Niva 2004" which is not subjected to income taxes) was 24%.

Starting from 1 January 2012 income tax rate in the Republic of Belarus is set at the level 18%. The rate was used in the deferred tax liability calculation for the 2011 and 2012 reporting periods.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and a tax free regime for certain income. Major sources of non-deductible expenses include expenses over prescribed norms. Major amounts of non-taxable income relate to operations with securities issued by the government.

Deferred 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 tax purposes. Temporary differences at 31 December 2012 and 2011 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Reconciliation between the expected and the actual taxation charge is provided below:

	Year ended 31 December 2012	*Year ended 31 December 2011*
Profit before income taxes	**344,900**	**185,449**
Combined statutory tax rate	18.00%	24.00%
Tax at the statutory tax rate	62,082	44,508
Capital expenditure tax exemptions	(50,357)	(32,208)
Profit before tax of subsidiaries taxed at different tax rates	-	1,690
Tax exempt income	(8,714)	(10,889)
Non-deductible expenditures	36,983	267,819
Effect of change of the income tax rate	-	(49,045)
Inflation effect of equity items recognised in taxable profits	68,391	47,288
Change in unrecognised deferred tax asset	-	-
Unrecognised deferred tax asset emerged from consolidation of subsidiaries and associates not affecting profit or loss.	2,271	(20,748)
Tax effect of losses of liquidated outlets	-	40,679
Tax effect of permanent differences	-	4,696
Income tax expense	**110,656**	**293,790**

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 18% (2011: 18%).

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27. Income taxes (continued)

	31 December 2011	*Credited/ (charged) to profit or loss*	*Recognised in other comprehen-sive income*	*Hyper-inflation effect*	*31 December 2012*
Tax effect of deductible temporary differences					
Loans to customers	4,244	11,157	-	(757)	14,644
Derivative financial liabilities	603,403	65,816	-	(107,550)	561,669
Other assets	7,809	715	-	(1,392)	7,132
Unused vacations	3,592	8,186	-	(640)	11,138
Other temporary differences	-	97	-	-	97
Gross deferred tax asset	**619,048**	**85,971**	-	**(110,339)**	**594,680**
Unrecognised deferred tax asset	-	-	-	-	-
Deferred tax asset, net	**619,048**	**85,971**	-	**(110,339)**	**594,680**
Tax effect of taxable temporary differences					
Loans to customers	19,911	(2,271)	-	(3,549)	14,091
Premises and equipment and intangible assets	75,455	8,611	(14,357)	(13,449)	56,260
Derivative financial assets	651,522	58,090	-	(116,127)	593,485
Other assets	2,858	1,108	-	(509)	3,457
Other temporary differences	16,443	899	-	(2,931)	14,411
Deferred tax liability	**766,189**	**66,437**	**(14,357)**	**(136,565)**	**681,704**
Total net deferred tax liability	**(147,141)**	**19,534**	**14,357**	**26,226**	**(87,024)**

	31 December 2010	*Credited/ (charged) to profit or loss*	*Recognised in other comprehen-sive income*	*Hyper-inflation effect*	*31 December 2011*
Tax effect of deductible temporary differences					
Loans to customers	52,071	(20,710)	-	(27,117)	4,244
Derivative financial liabilities	24,110	591,849	-	(12,556)	603,403
Other assets	7,628	4,153	-	(3,972)	7,809
Unused vacations	6,132	653	-	(3,193)	3,592
Gross deferred tax asset	**89,941**	**575,945**	-	**(46,838)**	**619,048**
Unrecognised deferred tax asset	(43,294)	20,748	-	22,546	-
Deferred tax asset, net	**46,647**	**596,693**	-	**(24,292)**	**619,048**
Tax effect of taxable temporary differences					
Loans to customers	10,450	14,903	-	(5,442)	19,911
Premises and equipment and intangible assets	103,764	10,431	15,298	(54,038)	75,455
Derivative financial assets	36,627	633,970	-	(19,075)	651,522
Other assets	-	2,858	-	-	2,858
Other temporary differences	4,662	14,209	-	(2,428)	16,443
Deferred tax liability	**155,503**	**676,371**	**15,298**	**(80,983)**	**766,189**
Total net deferred tax liability	**(108,856)**	**(79,678)**	**(15,298)**	**56,691**	**(147,141)**

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28. Commitments and contingencies

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

Provision for losses on contingent liabilities amounted to BYR 10,816 million and BYR 6,390 million at 31 December 2012 and 2011, respectively (Note 21).

At 31 December 2012 and 2011 the nominal or contract amounts of contingent liabilities were:

	31 December 2012	*31 December 2011*
Contingent liabilities and credit commitments		
Uncovered letters of credit	1,980,154	1,708,774
Commitments on loans and unused credit lines	1,728,171	724,045
Letters of credit secured by cash	1,141,841	639,335
Guarantees issued and similar commitments	1,150,178	633,456
Total contingent liabilities and credit commitments	**6,000,344**	**3,705,610**

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancelable operating leases at 31 December 2012 and 2011 are as follows:

	31 December 2012	*31 December 2011*
Not later than 1 year	25,020	36,958
Later than 1 year and not later than 5 years	36,690	71,329
Later than 5 years	1,312	826
Total operating lease commitments	**63,022**	**109,113**

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

Pensions and retirement plans **–** Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. At 31 December 2012 and 2011 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Legislation **–** Certain provisions of Belarusian commercial legislation and tax legislation in particular may give rise to varying interpretations and inconsistent application. In addition, as Management's interpretation of legislation may differ from that of the authorities, statutory compliance may be challenged by the authorities, and as result the Group may face additional taxes and charges and other preventive measures. The Management of the Group believes that it has already made all tax and other payments or accruals, and therefore no additional allowance has been made in the financial statements. Past fiscal years remain open to review by the authorities.

Operating environment **-** As an emerging market, the Republic of Belarus does not possess a well-developed business and regulatory infrastructure that would generally exist in more mature market economies. The Belarusian economy continues to display characteristics typical of an economy in transition. These characteristics include, but are not limited to, low levels of liquidity in the capital markets, relatively high inflation and the existence of currency controls which cause the national currency to be illiquid outside of Belarus. The stability of the Belarusian economy is largely dependent on the progress of reforms and the effectiveness of economic, financial and monetary measures undertaken by the government.

In 2011, Belarus experienced a significant macroeconomic setback. The key factors determining the economic decline were an acute deficit in current operations, reduction and limitation of external funding, absence of a significant foreign currency inflow at the beginning of 2011. These factors resulted in a significant reduction of gold and foreign currency reserves of the National Bank in the first quarter of 2011 followed by a deficit in foreign currency in the country and a significant decrease in the official exchange rate accompanied by the growth in inflation and an increase in the basic refinancing rate up to 45% as at 31 December 2011. In 2011, the rate of inflation was 108.67% (Note 2).

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28. Commitments and contingencies (continued)

Significant financial support from Russia, which consisted in issuing loans in 2011 and 2012 and participating in privatization of state owned assets at the end of 2011, and an excess of the foreign trade balance contributed to a noticeable increase in the National Bank's reserves and stabilization of the macroeconomic situation in the country in 2012. The representatives of the Government and the National Bank believe that reserves as at 31 December 2012 were sufficient to maintain stability, avoid foreign currency deficit and satisfy the country's needs in external funds in the short- and medium-term. The official exchange rate did not significantly change in 2012. In 2012, the rate of inflation was 21.8%, the basic refinancing rate was reduced to 30% as at 31 December 2012.

While management believes that it is taking appropriate measures to support the sustainability of business in the current circumstances, further unexpected deterioration in the areas described above could negatively affect the results of operations and financial position of the Company and its counterparties in a manner not currently determinable.

29. Transactions with related parties

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Group had the following transactions outstanding at 31 December 2012 and 2011 with related parties:

	31 December 2012		*31 December 2011*	
	Related party balances	***Total category as per the financial statements caption***	***Related party balances***	***Total category as per the financial statements caption***
Cash and cash equivalents	**74,902**	**3,986,250**	**102,361**	**5,449,660**
- parent bank	74,902		102,361	
Loans to corporate customers, gross	**70,057**	**18,967,175**	**121,169**	**15,272,135**
- associates	70,057		121,169	
Loans to individuals, gross	**19,129**	**1,016,698**	**9,817**	**1,308,277**
- key management personnel	19,129		9,817	
Allowance for impairment losses	**7,899**	**895,864**	**6,320**	**716,759**
- associates	7,068		5,940	
- key management personnel	831		380	
Investments in associates	**37,729**	**37,729**	**21,912**	**21,912**
Due to banks	**7,127,558**	**9,827,771**	**7,908,014**	**10,471,213**
- parent bank	7,127,558		7,908,014	
Subordinated debt	**453,960**	**453,960**	**525,910**	**525,910**
- parent bank	453,960		525,910	
Due to individuals	**9,557**	**7,759,184**	**4,246**	**6,642,703**
- key management personnel	9,557		4,246	
Due to corporate customers	**109,306**	**9,183,086**	**76,657**	**7,685,734**
- associates	109,306		76,657	
Commitments and contingencies	**5,975**	**6,000,344**	**6,873**	**3,705,610**
- associates	5,670		6,571	
- key management personnel	305		302	

On 29 December 2011 the Group received a subordinated loan from its parent Sberbank of Russia in the amount of EUR 40 million at an interest rate of 7.94%, repayable on 31 December 2018.

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29. Transactions with related parties (continued)

Included in the consolidated income statement for the year ended 31 December 2012 and 2011 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2012		*Year ended 31 December 2011*	
	Related party transactions	***Total category as per the financial statements caption***	***Related party transactions***	***Total category as per the financial statements caption***
Interest income	**16,608**	**3,837,786**	**41,580**	**3,174,718**
- parent bank	3,419		4,062	
- associates	11,947		36,867	
- key management personnel	1,242		651	
Fee and commission income	**149**	**862,390**	**4,659**	**783,384**
- parent bank	6		139	
- associates	127		4,520	
- key management personnel	16		-	
Interest expenses	**(300,076)**	**(2,364,267)**	**(438,697)**	**(1,647,227)**
- parent bank	(295,069)		(434,133)	
- associates	(2,649)		(3,982)	
- key management personnel	(2,358)		(582)	
Allowance for loan impairment	**(1,580)**	**(308,069)**	**(6,022)**	**(452,145)**
- associates	(1,128)		(5,939)	
- key management personnel	(452)		(83)	
Fee and commission expense	**(34,903)**	**(223,583)**	**(48,141)**	**(233,482)**
- parent bank	(34,903)		(48,141)	
Staff costs	**(43,314)**	**(533,992)**	**(38,465)**	**(395,045)**
- key management personnel	(43,314)		(38,465)	

During the year ended 31 December 2012 and 2011 remuneration of key management personnel was comprised by short-term employee benefits.

30. Segment reporting

The Group discloses information to enable users of its consolidated financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 “Operating segments” and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

Information on the Group’s activity per segments is analyzed by the Management based on data prepared in accordance with the IFRS recognition and measurement principles.

The Group is organized on the basis of two main business segments:

- retail banking – provision of banking services to individuals, running private customer current accounts, deposits, custody, credit and debit cards, issuance of consumer loans and loans to finance real estate.
- corporate banking – representing current accounts, deposits, overdrafts, loans and other credit facilities, transactions with foreign currency and securities.

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30. Segment reporting (continued)

Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's average interest rate of placed and received funds. There are no other material items of income or expense between the business segments. Internal charges have been reflected in the performance of each business.
Segment information about these businesses is presented below:

	Retail banking	*Corporate banking*	*Unallocated*	*31 December 2012/ Year ended 31 December 2012 Total*
Interest income	279,830	3,165,951	392,005	**3,837,786**
Interest expense	(730,739)	(1,214,266)	(419,262)	**(2,364,267)**
Allowance for impairment losses on interest bearing assets	(2,570)	(305,499)	-	**(308,069)**
Fee and commission income	478,638	310,497	73,255	**862,390**
Fee and commission expense	(82,680)	(106,658)	(34,245)	**(223,583)**
Net losses arising from investment securities available for sale	-	-	30,853	**30,853**
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	(194,430)	340,844	105,835	**252,249**
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains	-	-	(138,298)	**(138,298)**
Impairment of office premises			(9,138)	**(9,138)**
Other provisions	-	(5,565)	-	**(5,565)**
Impairment non-current assets held for sale	-	(1,145)	-	**(1,145)**
Other income	-	-	45,789	**45,789**
Operating (losses)/income	(251,951)	2,184,159	46,794	**1,979,002**
Income/(expense) from other segments	814,913	(994,900)	179,987	**-**
Total operating income/(loss)	**562,962**	**1,189,259**	**226,781**	**1,979,002**
Operating expenses	-	-	(1,282,157)	**(1,282,157)**
Share of results of an associate	-	-	19,481	**19,481**
Profit/(Loss) before loss on net monetary position	**562,962**	**1,189,259**	**(1,035,895)**	**716,326**
Loss on net monetary position due to inflation effect	40,083	(212,103)	(199,406)	**(371,426)**
Profit/(Loss) before income taxes	**603,045**	**977,156**	**(1,235,301)**	**344,900**
Income tax expense	-	-	(110,656)	**(110,656)**
Net profit/(loss)	**603,045**	**977,156**	**(1,345,957)**	**234,244**
Segment assets	**1,016,698**	**18,967,175**	**11,850,531**	**31,834,404**
Segment liabilities	**(7,878,531)**	**(10,208,580)**	**(11,049,941)**	**(29,137,052)**
Other segment items				
Loans to customers	1,016,698	18,967,175	-	**19,983,873**
Customer accounts	(7,759,184)	(9,183,086)	-	**(16,942,270)**
Debt securities issued	(119,347)	(1,025,494)	-	**(1,144,841)**

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30. Segment reporting (continued)

	Retail banking	*Corporate banking*	*Unallocated*	*31 December 2011/ Year ended 31 December 2011 Total*
Interest income	397,414	2,569,762	207,542	**3,174,718**
Interest expense	(594,964)	(649,703)	(402,560)	**(1,647,227)**
Allowance for impairment losses on interest bearing assets	(13,416)	(438,729)	-	**(452,145)**
Fee and commission income	125,238	593,303	64,843	**783,384**
Fee and commission expense	(67,196)	(118,915)	(47,371)	**(233,482)**
Net losses arising from investment securities available for sale	-	-	(2,659)	**(2,659)**
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	10,435	198,277	247,417	**456,129**
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains	1,453	27,614	46,299	**75,366**
Impairment of office premises	-	-	(10,804)	**(10,804)**
Other provisions	-	(7,735)	-	**(7,735)**
Impairment non-current assets held for sale	-	(16,415)	-	**(16,415)**
Net gains from disposal of subsidiary	-	-	27,792	**27,792**
Other income	-	-	42,708	**42,708**
Operating income	(141,036)	2,172,929	173,207	**2,205,100**
Income/(expense) from other segments	535,599	(928,582)	392,983	**-**
Total operating income	**394,563**	**1,244,347**	**566,190**	**2,205,100**
Operating expenses	-	-	(968,244)	**(968,244)**
Share of results of an associate	-	-	17,380	**17,380**
Profit/(Loss) before loss on net monetary position	**394,563**	**1,244,347**	**(384,674)**	**1,254,236**
Loss on net monetary position due to inflation effect	47,578	(566,951)	(549,414)	**(1,068,787)**
Profit/(loss) before income taxes	**442,141**	**677,396**	**(934,088)**	**185,449**
Income tax expense	-	-	(293,790)	**(293,790)**
Net profit/(loss)	**442,141**	**677,396**	**(1,227,878)**	**(108,341)**
Segment assets	**1,257,627**	**15,322,785**	**13,436,166**	**30,016,578**
Segment liabilities	**(6,743,283)**	**(9,006,743)**	**(11,757,058)**	**(27,507,084)**
Other segment items				
Loans to customers	1,257,627	15,322,785	-	**16,580,412**
Customer accounts	(6,642,703)	(7,685,734)	-	**(14,328,437)**
Debt securities issued	(100,580)	(1,321,009)	-	**(1,421,589)**

All the Group's customers are residents of the Republic of Belarus. All the premises and equipment are also located on the territory of the Republic of Belarus, except for the premises of a former Group's representative office in Moscow, Russian Federation.

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31. Fair value of financial instruments

Fair value is defined as the amount at which the financial instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	31 December 2012			*31 December 2011*		
	Carrying value	***Fair value***	***Unrecog-nised gain / (loss)***	***Carrying value***	***Fair value***	***Unrecog-nised gain / (loss)***
Cash and cash equivalents	3,986,250	3,986,250	-	5,449,660	5,449,660	-
Mandatory cash balances with the National Bank of the Republic of Belarus	187,515	187,515	-	90,250	90,250	-
Due from banks	179,591	179,591	-	165,175	165,175	-
Loans to corporate customers	18,115,503	18,079,092	(36,411)	14,606,028	14,556,397	(49,631)
Loans to individuals	972,506	930,776	(41,730)	1,257,625	1,187,303	(70,322)
Investments available for sale	741,414	741,414	-	705,617	705,617	-
Investments held to maturity	516,396	516,396	-	43,943	43,943	-
Other financial assets	140,541	140,541	-	93,482	93,482	-
Loans from the National Bank of the Republic of Belarus	292,712	292,712	-	367,810	367,810	-
Due to banks	9,827,771	9,827,771	-	10,471,213	10,471,213	-
Due to individuals	7,759,184	7,759,184	-	6,642,703	6,642,703	-
Due to corporate customers	9,183,086	9,186,508	3,422	7,685,734	7,690,701	4,967
Debt securities issued	1,144,841	1,144,841	-	1,421,589	1,421,589	-
Other financial liabilities	91,670	91,670	-	64,227	64,227	-
Subordinated debt	453,960	453,960	-	525,910	525,910	-

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand accounts, current without a specific maturity.

Fixed and floating rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortized cost are estimated by comparing market interest rates when they were first recognized with current market rates offered for similar financial instruments. The estimated fair value of these financial instruments is calculated as discounted cash flow using prevailing money-market interest rates for financial instruments with similar characteristics.

Financial instruments recognised at fair value are broken down for disclosure purposes into levels based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices for identical assets or liabilities in active markets that the Group has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – Valuations for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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31. Fair value of financial instruments (continued)

The Group's fair value valuation approach for certain significant classes of financial instruments recognised at fair value is as follows:

At 31 December 2012	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets:				
Derivative financial instruments	103	1,545	5,604,533	**5,606,181**
Investments available for sale	226,781	499,030	-	**725,811**
Equity investments available for sale	3,571	-	-	**3,571**
Total financial assets	**230,455**	**500,575**	**5,604,533**	**6,335,563**
Financial liabilities				
Derivative financial instruments	2,209	28,850	14,625	**45,684**
Total financial liabilities	**2,209**	**28,850**	**14,625**	**45,684**

At 31 December 2011	***Level 1***	***Level 2***	***Level 3***	***Total***
Financial assets:				
Derivative financial assets	-	-	6,340,159	**6,340,159**
Investments available for sale	405,896	284,853	-	**690,749**
Equity investments available for sale	2,837	-	-	**2,837**
Total financial assets	**408,733**	**284,853**	**6,340,159**	**7,033,745**

During the year 2012 The Group has changed the way of assessing fair value of derivative instruments. For valuation of foreign currency component of OTC currency swaps the Group uses yields to maturity from Belarusian eurobonds' market, which is now considered to be active. The Group's appraisals of derivative instruments are based on the method of discounted cash flows with the use of the quotes of the Belarusian eurobonds as inputs.

The following tables show a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	At 1 January 2012	***Total gain recorded in profit or loss***	***Settlements***	***Inflation effect***	***At 31 December 2012***
Financial assets					
Derivative financial assets	6,340,159	498,772	(104,329)	(1,130,069)	5,604,533
Total level 3 financial assets	**6,340,159**	**498,772**	**(104,329)**	**(1,130,069)**	**5,604,533**
Financial liabilities					
Derivative financial liabilities	-	(14,625)	-		(14,625)
Total level 3 financial liabilities	**-**	**(14,625)**	**-**		**(14,625)**

The following table shows the impact on the fair value of level 3 instruments of using reasonably possible alternative assumptions:

	31 December 2012		***31 December 2011***	
	Carrying amount	***Effect of reasonably possible alternative assumptions***	***Carrying amount***	***Effect of reasonably possible alternative assumptions***
Financial assets				
Derivative financial instruments	5,604,533	(140,781)	6,340,159	(172,139)
Financial liabilities				
Derivative financial liabilities	(14,625)	(2,517)	-	-

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31. Fair value of financial instruments (continued)

The inputs used for estimation of fair values of foreign currency derivatives for 2012 were the yield to maturity of the Belarusian Eurobonds in USD (7.44%). For the year 2011 the inputs used for estimation of fair values of foreign currency derivatives were the quotes of sovereign credit default swaps of the countries with the same credit rating as the Republic of Belarus has, adjusted for risk-free rate of borrowings in USD (10.2%). The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date (37.0%) (2011: 57.9%). Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 3.1% lower (2011: 2.7% lower).

32. Capital management

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

The capital structure of the Group is comprised of share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Group's Management reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the Bank' own regulatory funds with quantified assessment of the risks it undertakes (risk-weighted assets). The Bank's Management considers weighted average cost of capital and risks associated with each class of capital, and balances its overall capital structure through dividend policy and issues of new shares.

The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the National Bank of the Republic of Belarus and the Basel Capital Accord. The Basel Capital Accord determined minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

As at 31 December 2012 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 3,151,312 million and tier 1 capital amount was BYR 2,454,545 million with ratios of 11.7% and 9.1%, respectively.

As at 31 December 2011 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 3,035,196 million and tier 1 capital amount was BYR 2,171,982 million with ratios of 13.1% and 9.6%, respectively.

As at 31 December 2012 and 31 December 2011 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 9.6% and 12.0%, respectively.

33. Risk management policies

Risk management is fundamental to the business of the Group's operations. The Group organizes risk management to ensure stable development through stabilization of financial indicators, increase of net assets value, improvement of business reputation and competitiveness.

The Group exercises system approach to risk management, having established the unified standards for identification, evaluation and mitigation of risks based on recommendations of the National Bank and Basle Committee on Banking Supervision.

In accordance with the above mentioned standards the Group has elaborated and duly implemented risk management procedures for main types of risks inherent to the Group's operations, including credit, liquidity, foreign exchange and interest rates and operational risks. A description of the Group's risk management policies in relation to those risks follows.

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33. Risk management policies (continued)

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge contractual or legal obligation and cause the other party to incur a financial loss. Credit risk management is performed on the level of counterparties and on loans portfolio level.

The following table details the financial assets held by the Group per the credit ratings of the counterparties (for state authorities – per the country's rating):

31 December 2012	*AA*	*A*	*BBB*	*BB*	*B*	*Not rated*	*Total*
Cash equivalents	336,771	258,046	126,058	-	1,837,117	86,953	**2,644,945**
Mandatory cash balances with the National Bank	-	-	-	-	187,515	-	**187,515**
Due from banks	-	-	-	-	179,591	-	**179,591**
Derivative financial assets	-	-	1,616	-	5,604,533	32	**5,606,181**
Loans to corporate customers	-	-	-	-	-	18,115,503	**18,115,503**
Loans to individuals	-	-	-	-	-	972,506	**972,506**
Investments available for sale	-	3,571	-	-	611,502	126,341	**741,414**
Investments held to maturity	-	-	-	-	504,259	12,137	**516,396**
Other financial assets	-	-	-	-	-	140,541	**140,541**

31 December 2011	*AA*	*A*	*BBB*	*BB*	*B*	*Not rated*	*Total*
Cash equivalents	584,055	113,641	158,972	164,746	3,274,386	13,012	**4,308,812**
Mandatory cash balances with the National Bank	-	-	-	-	90,250	-	**90,250**
Due from banks	-	-	-	-	134,487	30,688	**165,175**
Derivative financial assets	-	-	-	-	6,340,159	-	**6,340,159**
Loans to corporate customers	-	-	-	-	-	14,606,028	**14,606,028**
Loans to individuals	-	-	-	-	-	1,257,625	**1,257,625**
Investments available for sale	-	2,835	-	-	580,083	122,699	**705,617**
Investments held to maturity	-	-	-	-	28,753	15,190	**43,943**
Other financial assets	-	-	-	-	-	93,482	**93,482**

At 31 December 2012 and 31 December 2011 other financial assets comprised past due but not impaired assets in the amount of 462 BYR million and 767 BYR million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 7.

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33. Risk management policies (continued)

As at 31 December 2012 and 2011 the Group had neither past due nor impaired financial assets in addition to the above mentioned.

Geographical concentration

The Group assesses influence of geographical risk on its activity. Adverse consequences of this risk include possible difficulties when planning steady business activities of the Group in a case of deterioration of political, social and legal climate in a country of counterparty's origin. Credit risk of the Group lies within the borders of the Republic of Belarus, except for operations with correspondent banks:

31 December 2012	*Belarus*	*CIS Countries*	*OECD Countries*	*Non-OECD countries*	*Total*
Financial assets					
Cash and cash equivalents	3,258,061	126,556	594,197	7,436	**3,986,250**
Mandatory cash balances with the National Bank	187,515	-	-	-	**187,515**
Due from banks	179,591	-	-	-	**179,591**
Derivative financial assets	5,604,565	1,616	-	-	**5,606,181**
Loans to corporate customers	18,115,503	-	-	-	**18,115,503**
Loans to individuals	972,506	-	-	-	**972,506**
Investments available for sale	737,843	-	3,571	-	**741,414**
Investments held to maturity	516,396	-	-	-	**516,396**
Other financial assets	140,541	-	-	-	**140,541**
Total financial assets	**29,712,521**	**128,172**	**597,768**	**7,436**	**30,445,897**
Financial liabilities					
Loans from the National Bank	292,712	-	-	-	**292,712**
Due to banks	454,949	7,435,435	1,917,466	19,921	**9,827,771**
Derivative financial liabilities	14,625	31,059	-	-	**45,684**
Due to individuals	7,759,184	-	-	-	**7,759,184**
Due to corporate customers	8,618,016	9,186	1,107	554,777	**9,183,086**
Debt securities issued	1,144,841	-	-	-	**1,144,841**
Other financial liabilities	91,670	-	-	-	**91,670**
Subordinated debt	-	453,960	-	-	**453,960**
Total financial liabilities	**18,375,997**	**7,929,640**	**1,918,573**	**574,698**	**28,798,908**
Net position	**11,336,524**	**(7,801,468)**	**(1,320,805)**	**(567,262)**	

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33. Risk management policies (continued)

Geographical concentration (continued)

31 December 2011	*Belarus*	*CIS Countries*	*OECD Countries*	*Non-OECD countries*	*Total*
Financial assets					
Cash and cash equivalents	4,413,628	338,335	697,385	312	**5,449,660**
Mandatory cash balances with the National Bank	90,250	-	-	-	**90,250**
Due from banks	165,175	-	-	-	**165,175**
Derivative financial assets	6,340,159	-	-	-	**6,340,159**
Loans to corporate customers	14,606,028	-	-	-	**14,606,028**
Loans to individuals	1,257,625	-	-	-	**1,257,625**
Investments available for sale	702,782	-	2,835	-	**705,617**
Investments held to maturity	43,943	-	-	-	**43,943**
Other financial assets	93,482	-	-	-	**93,482**
Total financial assets	**27,713,072**	**338,335**	**700,220**	**312**	**28,751,939**
Financial liabilities					
Loans from the National Bank	367,810	-	-	-	**367,810**
Due to banks	157,000	8,060,713	2,224,681	28,819	**10,471,213**
Derivative financial liabilities	-	-	-	-	**-**
Due to individuals	6,642,703	-	-	-	**6,642,703**
Due to corporate customers	7,643,186	1,799	1,830	38,919	**7,685,734**
Debt securities issued	1,421,589	-	-	-	**1,421,589**
Other financial liabilities	64,227	-	-	-	**64,227**
Subordinated debt	-	525,910	-	-	**525,910**
Total financial liabilities	**16,296,515**	**8,588,422**	**2,226,511**	**67,738**	**27,179,186**
Net position	**11,416,557**	**(8,250,087)**	**(1,526,291)**	**(67,426)**	

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33. Risk management policies (continued)

Liquidity risk

Liquidity risk refers to the availability of sufficient funds in appropriate currencies to finance its assets and meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities.

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*From 3 to 5 years*	*More than 5 years*	*31 December 2012 Total*
Liabilities							
Loans from the National Bank	2,445	21,691	72,791	232,573	-	-	**329,500**
Due to banks	2,746,174	2,667,126	3,203,173	1,355,215	71,654	678,163	**10,721,505**
Derivative financial liabilities – claims	(42,106)	(397,670)	(49,533)	(49,384)	-	-	**(538,693)**
Derivative financial liabilities – obligations	49,449	435,242	64,108	45,757	-	-	**594,556**
Due to individuals	3,303,244	2,940,446	2,666,490	2,569,365	32,078	12,840	**11,524,463**
Due to corporate customers	5,651,150	1,317,052	1,731,722	1,584,120	94,486	314,772	**10,693,302**
Debt securities issued	5,474	388,894	5,765	750,550	-	-	**1,150,683**
Other financial liabilities	69,448	12,681	4,473	1,971	282	2,815	**91,670**
Subordinated debt	-	15,114	18,317	73,069	73,169	493,237	**672,906**
Total liabilities	**11,785,278**	**7,400,576**	**7,717,306**	**6,563,236**	**271,669**	**1,501,827**	**35,239,892**

	Demand and less than 1 month	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*From 3 to 5 years*	*More than 5 years*	*31 December 2011 Total*
Liabilities							
Loans from the National Bank	2,201	16,006	19,577	362,620	-	-	**400,404**
Due to banks	1,427,587	2,082,468	3,295,578	4,110,214	105,128	372,182	**11,393,157**
Due to individuals	1,106,651	1,519,677	2,876,486	3,202,740	151,668	4,456	**8,861,678**
Due to corporate customers	5,171,319	1,685,672	1,011,899	325,378	138,108	299,353	**8,631,729**
Debt securities issued	52,426	767,436	432,674	564,829	-	-	**1,817,365**
Other financial liabilities	46,408	7,812	2,889	1,429	5,689	-	**64,227**
Subordinated debt	3,482	17,408	20,889	83,560	83,560	567,690	**776,589**
Total liabilities	**7,810,074**	**6,096,479**	**7,659,992**	**8,650,770**	**484,153**	**1,243,681**	**31,945,149**

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33. Risk management policies (continued)

Liquidity risk (continued)

The following table presents an analysis of the liquidity risk based on contractual carrying values of assets and liabilities according to when they are expected to be recovered or settled.

31 December 2012	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*From 3 to 5 years*	*More than 5 years*	*Overdue*	*No stated maturity*	*Total*
Assets									
Cash and cash equivalents	3,986,250	-	-	-	-	-	-	-	**3,986,250**
Mandatory cash balances with The National Bank	60,860	41,600	42,254	38,952	290	3,559	-	-	**187,515**
Due from banks	81,789	9,109	15,879	40,538	-	32,276	-	-	**179,591**
Derivative financial assets	97	774,005	2,752,319	1,366,939	712,821	-	-	-	**5,606,181**
Loans to corporate customers	1,076,155	5,689,019	3,220,775	4,934,877	151,460	2,879,620	163,597	-	**18,115,503**
Loans to individuals	31,184	69,220	136,003	293,586	5,720	426,144	10,649	-	**972,506**
Non-current asset held for sale	-	-	15,637	-	-	-	-	-	**15,637**
Investments available for sale	1,939	199,294	216,229	292,900	-	15,448	-	15,604	**741,414**
Investments held to maturity	-	5,285	328,610	171,887	-	10,614	-	-	**516,396**
Investments in an associate	-	-	-	-	-	-	-	37,729	**37,729**
Premises and equipment	-	-	-	-	-	-	-	1,025,857	**1,025,857**
Intangible assets	-	-	-	-	-	-	-	79,311	**79,311**
Current income tax assets	114,439	-	-	-	-	-	-	-	**114,439**
Other assets	210,003	22,642	1,305	814	-	11,623	462	9,226	**256,075**
Total assets	**5,562,716**	**6,810,174**	**6,729,011**	**7,140,493**	**870,291**	**3,379,284**	**174,708**	**1,167,727**	**31,834,404**
Liabilities									
Loans from the National Bank	621	13,252	63,524	215,315	-	-	-	-	**292,712**
Due to banks	2,672,663	2,557,863	3,114,433	1,253,906	18,556	210,350	-	-	**9,827,771**
Derivative financial liabilities	6,790	33,375	3,310	2,209	-	-	-	-	**45,684**
Due to individuals	1,711,109	2,309,880	2,186,932	1,513,658	24,983	12,622	-	-	**7,759,184**
Due to corporate customers	5,078,550	1,090,190	1,545,195	1,174,921	1	294,229	-	-	**9,183,086**
Debt securities issued	7,163	394,854	1,372	741,452	-	-	-	-	**1,144,841**
Current income tax liabilities	120,634	-	-	-	-	-	-	-	**120,634**
Deferred income tax liabilities	-	-	-	-	-	-	-	87,024	**87,024**
Provisions for guarantees and other commitments	983	6,013	1,235	2,585	-	-	-	-	**10,816**
Other liabilities	154,493	47,279	4,473	1,971	282	2,815	-	27	**211,340**
Subordinated debt	360	-	-	-	-	453,600	-	-	**453,960**
Total liabilities	**9,753,366**	**6,452,706**	**6,920,474**	**4,906,017**	**43,822**	**973,616**	**-**	**87,051**	**29,137,052**
Net liquidity surplus/(gap)	**(4,190,650)**	**357,468**	**(191,463)**	**2,234,476**	**826,469**	**2,405,668**	**174,708**	**1,080,676**	**2,697,352**
Cumulative liquidity gap as at 31 December 2012	**(4,190,650)**	**(3,833,182)**	**(4,024,645)**	**(1,790,169)**	**(963,700)**	**1,441,968**	**1,616,676**	**2,697,352**	

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33. Risk management policies (continued)

Liquidity risk (continued)

31 December 2011	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*From 3 to 5 years*	*More than 5 years*	*Overdue*	*No stated maturity*	*Total*
Assets									
Cash and cash equivalents	5,449,660	-	-	-	-	-	-	-	**5,449,660**
Mandatory cash balances with The National Bank	31,291	18,142	20,724	17,803	764	1,526	-	-	**90,250**
Due from banks	-	12,717	30,688	20,424	-	101,346	-	-	**165,175**
Derivative financial assets	-	39,226	1,904,651	3,287,843	1,108,439	-	-	-	**6,340,159**
Loans to corporate customers	869,105	3,213,267	3,211,679	4,728,332	104,989	2,392,088	86,568	-	**14,606,028**
Loans to individuals	45,956	82,842	158,973	366,188	11,390	579,664	12,612	-	**1,257,625**
Non-current asset held for sale	-	20,031	-	-	-	-	-	-	**20,031**
Investments available for sale	79	11,301	177,608	270,458	218,805	12,499	-	14,867	**705,617**
Investments held to maturity	79	4	-	30,944	-	12,916	-	-	**43,943**
Investments in an associate	-	-	-	-	-	-	-	21,912	**21,912**
Premises and equipment	-	-	-	-	-	-	-	1,040,917	**1,040,917**
Intangible assets	-	-	-	-	-	-	-	49,182	**49,182**
Current income tax assets	-	-	-	-	-	-	-	17,279	**17,279**
Other assets	159,238	14,228	2,513	4,614	178	9,145	767	18,117	**208,800**
Total assets	**6,555,408**	**3,411,758**	**5,506,836**	**8,726,606**	**1,444,565**	**3,109,184**	**99,947**	**1,162,274**	**30,016,578**
Liabilities									
Loans from the National Bank	813	9,145	11,579	346,273	-	-	-	-	**367,810**
Due to banks	1,366,620	1,838,707	3,086,359	3,776,760	49,275	353,492	-	-	**10,471,213**
Derivative financial liabilities	-	-	-	-	-	-	-	-	**-**
Due to individuals	944,707	867,409	2,310,726	2,401,716	114,698	3,447	-	-	**6,642,703**
Due to corporate customers	4,987,822	1,431,986	883,275	146,284	3,680	232,687	-	-	**7,685,734**
Debt securities issued	18,128	628,454	341,053	433,954	-	-	-	-	**1,421,589**
Current income tax liabilities	-	-	-	-	-	-	-	94,963	**94,963**
Deferred income tax liabilities	-	-	-	-	-	-	-	147,141	**147,141**
Provisions for guarantees and other commitments	-	2,092	2,858	1,440	-	-	-	-	**6,390**
Other liabilities	82,314	43,766	2,889	1,429	66	5,623	-	7,544	**143,631**
Subordinated debt	-	-	-	-	-	525,910	-	-	**525,910**
Total liabilities	**7,400,404**	**4,821,559**	**6,638,739**	**7,107,856**	**167,719**	**1,121,159**	**-**	**249,648**	**27,507,084**
Net liquidity surplus/(gap)	**(844,996)**	**(1,409,801)**	**(1,131,903)**	**1,618,750**	**1,276,846**	**1,988,025**	**99,947**	**912,626**	**2,509,494**
Cumulative liquidity gap as at 31 December 2011	**(844,996)**	**(2,254,797)**	**(3,386,700)**	**(1,767,950)**	**(491,104)**	**1,496,921**	**1,596,868**	**2,509,494**	

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33. Risk management policies (continued)

Liquidity risk (continued)

The Group's liquidity risk management includes estimation of core deposits, i.e. funds associated with stable customer deposits relationships, with statistical methods applied to historic information on fluctuations of customer accounts balances. Core deposits at 31 December 2012 and 31 December 2011 are estimated in the amount 2,627,182 of BYR million and 1,877,483 BYR million, respectively. As at 31 December 2012 and 31 December 2011 included in due to banks were funds attracted from parent bank in the amount of BYR 7,127,558 million and BYR 7,908,014 million, respectively, comprising of short-term loans, which, as a rule, are being reinvested on maturity dates. Based on going concern assumptions the effective maturities of core deposits of funds from parent bank are considered to be undefined. Information as to the expected periods of repayment of customer accounts, funds from parent bank and effective liquidity gaps as at 31 December 2012 and 31 December 2011 is as follows:

31 December 2012	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*From 3 to 5 years*	*More than 5 years*	*Overdue*	*No stated maturity*	*Total*
Accounts of individuals analyzed based on expected withdrawal dates	1,110,300	2,309,880	2,186,932	1,513,658	24,983	12,622	-	600,809	**7,759,184**
Corporate accounts analyzed based on expected withdrawal dates	3,052,177	1,090,190	1,545,195	1,174,921	1	294,229	-	2,026,373	**9,183,086**
Funds attracted from other banks analyzed	619,702	654,075	458,348	739,182	18,556	210,350	-	7,127,558	**9,827,771**
Liquidity gap (based on expected withdrawal dates for customers accounts)	**489,493**	**2,261,256**	**2,464,622**	**2,749,200**	**826,469**	**2,405,668**	**174,708**	**(8,674,064)**	

31 December 2011	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*From 3 to 5 years*	*More than 5 years*	*Overdue*	*No stated maturity*	*Total*
Accounts of individuals analyzed based on expected withdrawal dates	584,558	867,409	2,310,726	2,401,716	114,698	3,447	-	360,149	**6,642,703**
Corporate accounts analyzed based on expected withdrawal dates	3,470,488	1,431,986	883,275	146,284	3,680	232,687	-	1,517,334	**7,685,734**
Funds attracted from other banks analyzed	318,952	580,118	320,113	941,249	49,275	353,492	-	7,908,014	**10,471,213**
Liquidity gap (based on expected withdrawal dates for customers accounts)	**2,080,155**	**(151,212)**	**1,634,343**	**4,454,261**	**1,276,846**	**1,988,025**	**99,947**	**(8,872,871)**	

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33. Risk management policies (continued)

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Group is exposed to market risks of its products which are subject to general and specific market fluctuations. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed.

The Group is exposed to interest rate risks as the Bank and entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the interest rate margin and the value of the financial instruments. The Group's interest rate policy is primarily directed to provide adequate interest rate margin and stable level of net interest income. The Group manages interest rate risk through periodic estimation of cumulative disbalance between interest sensitive assets and liabilities as a percentage of total interest bearing assets.

The Risk Department exercises regular procedures on monitoring, identifying and controlling the interest rate risk. The Bank's Financial Committee takes decisions on interest rate risk limitation.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes" of interest rates. The level of these changes is determined by Management. The sensitivity analysis represents the annual effect of 15% increase/reduction in interest rates in respect of floating rate financial instruments nominated in BYR, and the annual effect of 5% increase/reduction in interest rates in respect of floating rate financial instruments nominated in foreign currencies existing at 31 December 2012 and 31 December 2011, respectively, on the net profit of the Group, provided all other variables were held constant. Additionally the calculation includes the effect of reinvestment of fixed-rate instruments at new market rates as they mature.

Impact on profit before taxes:

	As at 31 December 2012		*As at 31 December 2011*	
BYR	***Interest rate +15%***	***Interest rate -15%***	***Interest rate +15%***	***Interest rate -15%***
Impact on profit before taxes:				
Assets:				
Due from banks	15,228	(15,228)	20,173	(20,173)
Loans to customers	953,075	(953,075)	933,015	(933,015)
Investments available for sale	14,778	(14,778)	8,688	(8,688)
Investments held to maturity	14,086	(14,086)	2,207	(2,207)
Liabilities:				
Due to banks	(14,494)	14,494	(2,494)	2,494
Customer accounts	(763,448)	763,448	(607,037)	607,037
Debt securities issued	(53,645)	53,645	(72,799)	72,799
Net impact on profit before taxes	**165,580**	**(165,580)**	**281,753**	**(281,753)**
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	(21,414)	21,414	(20,010)	20,010
Net impact on comprehensive income	**144,166**	**(144,166)**	**261,743**	**(261,743)**

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33. Risk management policies (continued)

Interest rate risk (continued)

	As at 31 December 2012		*As at 31 December 2011*	
USD	***Interest rate +5%***	***Interest rate -5%***	***Interest rate +5%***	***Interest rate -5%***
Impact on profit before taxes:				
Assets:				
Due from banks	3,696	(3,696)	1,535	(1,535)
Loans to customers	253,384	(253,384)	118,801	(118,801)
Investments available for sale	2,417	(2,417)	2,796	(2,796)
Investments held to maturity	185	(185)	4	(4)
Liabilities:				
Loans from the National Bank	(14,336)	14,336	(17,447)	17,447
Due to banks	(67,574)	67,574	(20,241)	20,241
Customer accounts	(149,006)	149,006	(95,729)	95,729
Debt securities issued	(4,700)	4,700	(7,690)	7,690
Net impact on profit before taxes	**24,066**	**(24,066)**	**(17,971)**	**17,971**
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	**24,066**	**(24,066)**	**(17,971)**	**17,971**

	As at 31 December 2012		*As at 31 December 2011*	
EUR	***Interest rate +5%***	***Interest rate -5%***	***Interest rate +5%***	***Interest rate -5%***
Impact on profit before taxes:				
Assets:				
Loans to customers	204,955	(204,955)	186,323	(186,323)
Investments available for sale	2	(2)	-	-
Liabilities:				
Due to banks	(157,089)	157,089	(187,052)	187,052
Customer accounts	(91,363)	91,363	(65,929)	65,929
Debt securities issued	(5,855)	5,855	(4,818)	4,818
Net impact on profit before taxes	**(49,350)**	**49,350**	**(71,476)**	**71,476**
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	**(49,350)**	**49,350**	**(71,476)**	**71,476**

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33. Risk management policies (continued)

Interest rate risk (continued)

	As at 31 December 2012		*As at 31 December 2011*	
RUR	***Interest rate +5%***	***Interest rate -5%***	***Interest rate +5%***	***Interest rate -5%***
Impact on profit before taxes:				
Assets:				
Loans to customers	46,227	(46,227)	24,449	(24,449)
Investments available for sale	-	-	2,235	(2,235)
Liabilities:				
Due to banks	(30,024)	30,024	(8,842)	8,842
Customer accounts	(39,102)	39,102	(57,875)	57,875
Debt securities issued	(25)	25	(1,107)	1,107
Net impact on profit before taxes	**(22,924)**	**22,924**	**(41,140)**	**41,140**
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	**(22,924)**	**22,924**	**(41,140)**	**41,140**

Currency risk

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

The Group's risk policy aiming at loss minimization from exchange rates fluctuations includes daily assessment at 95% probability maximum exposure to losses from liquidating open currency position within one day (value-at-risk). The Group's local statutory act prescribes rigid limitation of open currency position by each type of currency for carrying positions over the next day depending on volatility of currency pairs and stop-loss limit. Considering increased volatility of world markets and for estimation of extraordinary, but still possible, events the Group uses stress-testing procedures. The Group performs daily monitoring of the Bank's open currency position with the aim to match the requirements of the National Bank.

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33. Risk management policies (continued)

Currency risk (continued)

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

31 December 2012	*BYR*	*USD 1USD=BYR 8,570*	*EUR 1EUR=BYR 11,340*	*RUR 1RUR=BYR 282*	*Precious metals*	*Other cuurren-cies*	*Total*
Financial assets							
Cash and cash equivalents	2,227,197	746,924	707,081	266,525	24,528	13,995	**3,986,250**
Mandatory cash balances with the National Bank of the Republic of Belarus	187,515	-	-	-	-	-	**187,515**
Due from banks	101,519	78,034	38	-	-	-	**179,591**
Derivative financial assets	5,606,181	-	-	-	-	-	**5,606,181**
Loans to corporate customers	5,699,159	5,833,696	4,557,949	2,024,699	-	-	**18,115,503**
Loans to individuals	870,102	101,236	1,168	-	-	-	**972,506**
Investments available forsale	459,548	276,139	5,727	-	-	-	**741,414**
Investments held to maturity	365,254	151,142	-	-	-	-	**516,396**
Other financial assets	135,234	1,295	1,359	2,653	-	-	**140,541**
Total financial assets	**15,651,709**	**7,188,466**	**5,273,322**	**2,293,877**	**24,528**	**13,995**	**30,445,897**
Financial liabilities							
Loans from the National Bank	-	292,712	-	-	-	-	**292,712**
Due to banks	100,936	1,549,636	4,120,778	631,164	3,425,205	52	**9,827,771**
Derivative financial Liabilities	45,684	-	-	-	-	-	**45,684**
Due to individuals	1,267,240	4,655,617	1,327,628	260,508	248,188	3	**7,759,184**
Due to corporate Customers	3,993,773	1,449,310	2,425,486	1,199,272	102,919	12,326	**9,183,086**
Debt securities issued	361,720	285,958	317,310	179,853	-	-	**1,144,841**
Other financial liabilities	40,966	23,676	20,956	5,986	-	86	**91,670**
Subordinated debt	-	-	453,960	-	-	-	**453,960**
Total financial Lliabilities	**5,810,319**	**8,256,909**	**8,666,118**	**2,276,783**	**3,776,312**	**12,467**	**28,798,908**
Currency position	**9,841,390**	**(1,068,443)**	**(3,392,796)**	**17,094**	**(3,751,784)**	**1,528**	

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33. Risk management policies (continued)

Currency risk (continued)

Derivative financial instruments

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

31 December 2012	*BYR*	*USD 1USD=BYR 8,570*	*EUR 1EUR=BYR 11,340*	*RUR 1RUR=BYR 282*	*Precious metals*	*Other curren-cies*	*Total*
Claims on derivative financial instruments	6	1,206,846	3,946,426	67,842	3,809,637	-	**9,030,757**
Obligations on derivative financial instruments	(3,141,417)	(25,968)	(467,856)	(66,696)	(52,558)	-	**(3,754,495)**
Net derivative financial instruments	**(3,141,411)**	**1,180,878**	**3,478,570**	**1,146**	**3,757,079**	**-**	**5,276,262**
Total currency position less fair value of derivative	**1,139,482**	**112,435**	**85,774**	**18,240**	**5,295**	**1,528**	

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33. Risk management policies (continued)

Currency risk (continued)

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

31 December 2011	*BYR*	*USD 1USD=BYR 8,350*	*EUR 1EUR=BYR 10,800*	*RUR 1RUR=BYR 261*	*Precious metals*	*Other curren-cies*	*Total*
Financial assets							
Cash and cash equivalents	2,296,952	1,061,299	1,731,499	310,351	28,337	21,222	**5,449,660**
Mandatory cash balances with the National Bank of the Republic of Belarus	90,250	-	-	-	-	-	**90,250**
Due from banks	134,487	30,688	-	-	-	-	**165,175**
Derivative financial assets	6,340,159	-	-	-	-	-	**6,340,159**
Loans to corporate customers	5,527,984	3,348,034	4,447,547	1,282,463	-	-	**14,606,028**
Loans to individuals	1,068,727	186,463	2,435	-	-	-	**1,257,625**
Investments available forsale	250,209	277,390	-	178,018	-	-	**705,617**
Investments held to maturity	43,864	79	-	-	-	-	**43,943**
Other financial assets	84,861	4,808	1,320	2,493	-	-	**93,482**
Total financial assets	**15,837,493**	**4,908,761**	**6,182,801**	**1,773,325**	**28,337**	**21,222**	**28,751,939**
Financial liabilities							
Loans from the National Bank	-	367,810	-	-	-	-	**367,810**
Due to banks	17,875	726,022	5,531,948	428,181	3,767,112	75	**10,471,213**
Derivative financial Liabilities	-	-	-	-	-	-	**-**
Due to individuals	1,131,370	3,570,279	1,371,772	328,004	241,277	1	**6,642,703**
Due to corporate Customers	3,323,811	1,266,385	1,419,050	1,466,990	194,098	15,400	**7,685,734**
Debt securities issued	490,683	447,548	441,022	42,336	-	-	**1,421,589**
Other financial liabilities	30,402	22,105	7,814	3,906	-	-	**64,227**
Subordinated debt	-	-	525,910	-	-	-	**525,910**
Total financial liabilities	**4,994,141**	**6,400,149**	**9,297,516**	**2,269,417**	**4,202,487**	**15,476**	**27,179,186**
Currency position	**10,843,352**	**(1,491,388)**	**(3,114,715)**	**(496,092)**	**(4,174,150)**	**5,746**	

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33. Risk management policies (continued)

Currency risk (continued)

Derivative financial instruments

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

31 December 2011	*BYR*	*USD 1USD=BYR 8,350*	*EUR 1EUR=BYR 10,800*	*RUR 1RUR=BYR 261*	*Precious metals*	*Other curren-cies*	*Total*
Claims on derivative financial instruments	-	1,537,235	4,477,779	495,882	4,187,093	-	**10,697,989**
Obligations on derivative financial instruments	(3,573,955)	-	(1,225,539)	-	-	-	**(4,799,494)**
Net derivative financial instruments	**(3,573,955)**	**1,537,235**	**3,252,240**	**495,882**	**4,187,093**	**-**	**5,898,495**
Total currency position less fair value of derivative	**929,238**	**45,847**	**137,525**	**(210)**	**12,943**	**5,746**	

Currency risk sensitivity

The following tables detail the Group's sensitivity to an increase and decrease in the USD, EUR and RUR against the BYR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the possible change in foreign currency exchange rates. At 31 December 2012 and 31 December 2011 in connection with volatility in financial markets the Management of the Group analyzed sensitivity to 30% increase in foreign currencies' rates against BYR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for an anticipated value change in foreign currency rates.

	As at 31 December 2012		*As at 31 December 2011*	
	BYR/USD +30%	*BYR/USD -10%*	*BYR/USD +30%*	*BYR/USD -10%*
Impact on profit or loss	33,731	(11,244)	13,754	(4,585)
Impact on comprehensive income	33,731	(11,244)	13,754	(4,585)

	As at 31 December 2012		*As at 31 December 2011*	
	BYR/EUR +30%	*BYR/EUR -10%*	*BYR/EUR +30%*	*BYR/EUR -10%*
Impact on profit or loss	25,732	(8,577)	41,258	(13,753)
Impact on comprehensive income	25,732	(8,577)	41,258	(13,753)

	As at 31 December 2012		*As at 31 December 2011*	
	BYR/RUR +30%	*BYR/RUR -10%*	*BYR/RUR +30%*	*BYR/RUR -10%*
Impact on profit or loss	5,472	(1,824)	(63)	21
Impact on comprehensive income	5,472	(1,824)	(63)	21

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33. Risk management policies (continued)

Limitations of sensitivity analysis

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

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

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

Operational risk

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. The Grouph cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

34. Subsequent events

Aiming to strengthen the banking sector of the Republic of Belarus the National Bank has put in force new capital adequacy requirements. Starting from February 1st, 2013, capital adequacy ratio must be maintained at 10% or higher to risk-adjusted assets, calculated in accordance with BAS. As at February 1st, 2013, the Bank complied with the new prudential rules with CAR equaled 11.7%.