

BPS-Sberbank
Interim Condensed
Consolidated Financial Statements

For the 3 months ended 31 March 2013

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Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

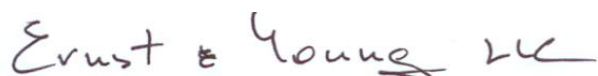
We have reviewed the accompanying interim condensed consolidated financial statements of JSC "BPS-Sberbank" and its subsidiaries (together the "Group") as of 31 March 2013, comprising of the interim condensed consolidated statement of financial position as of 31 March 2013 and the related interim condensed consolidated income statements and statements of comprehensive income for the three months then ended, interim condensed consolidated statements of changes in equity and of cash flows for the three months then ended and selected explanatory notes. Management of the Group is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of employees of the Group responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.



30 May 2013

**Interim condensed consolidated statement of financial position
As of 31 March 2013***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as of 31 March 2013)*

	Notes	31 March 2013 (unaudited)	31 December 2012
Assets:			
Cash and cash equivalents	3, 25	3,269,888	4,200,710
Mandatory cash balances with the National Bank of the Republic of Belarus		181,621	197,603
Due from banks	4	125,251	189,253
Derivative financial assets	5	4,706,100	5,907,794
Loans to corporate customers	6, 25	19,368,585	19,090,117
Loans to individuals	6, 25	988,147	1,024,827
Non-current asset held for sale	7	18,033	16,478
Investments available for sale	8	744,752	781,302
Investments held to maturity	9	520,084	544,178
Investments in associates	25	48,998	39,759
Premises and equipment	10	1,089,089	1,081,048
Intangible assets	10	83,927	83,578
Current income tax assets		1,495	120,596
Other assets	11	275,046	269,852
Total assets		31,421,016	33,547,095
Liabilities and equity			
Liabilities:			
Loans from the National Bank of the Republic of Belarus	12	289,808	308,460
Due to banks	13, 25	9,784,215	10,356,505
Derivative financial liabilities	5	55,132	48,142
Due to individuals	14, 25	8,069,215	8,176,628
Due to corporate customers	14, 25	8,118,472	9,677,136
Debt securities issued	15	1,219,948	1,206,433
Current income tax liabilities		45,957	127,124
Deferred income tax liabilities		109,414	91,706
Provisions for guarantees and other commitments	19	10,893	11,398
Other liabilities	16	236,564	222,710
Subordinated debt	25	444,753	478,383
Total liabilities		28,384,371	30,704,625
Equity:			
Share capital	17	2,334,306	2,334,306
Revaluation reserve for office premises		281,798	290,596
Investments available for sale fair value deficit		(2,656)	(34,726)
Retained earnings		422,961	252,062
Total equity attributable to shareholders of the Bank		3,036,409	2,842,238
Non-controlling interest		236	232
Total equity		3,036,645	2,842,470
Total liabilities and equity		31,421,016	33,547,095

Signed and authorized for release on behalf of the Management Board

Vasili S. Matyushevski

Chairman of the Board

Anatoly V. Boreiko

Chief Accountant

20 May 2013

The notes on pages 7-50 form an integral part of these interim condensed consolidated financial statements.

**Interim condensed consolidated income statement
For the 3 months ended 31 March 2013***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as of 31 March 2013)*

	<i>Notes</i>	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Interest income	18, 25	1,002,468	1,201,028
Interest expense	18, 25	(584,930)	(713,978)
Net interest income before provision for impairment losses on interest bearing assets		417,538	487,050
Provision for impairment losses on interest bearing assets	19, 25	(218)	(35,167)
Net interest income		417,320	451,883
Fee and commission income	20, 25	242,239	190,968
Fee and commission expense	20, 25	(57,765)	(45,687)
Net losses arising from investment securities available for sale		(625)	(1,383)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	21	64,861	27,275
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains	21	(26,781)	(131,478)
Other provisions	19	(77)	(3,286)
Other income	22	16,270	12,451
Net non-interest income		238,122	48,860
Operating income		655,442	500,743
Operating expenses	23	(314,811)	(344,770)
Share of results of an associate		11,270	1,126
Profit before loss on net monetary position		351,901	157,099
Loss on net monetary position due to inflation effect		(98,540)	(95,848)
Profit before income taxes		253,361	61,251
Income tax expense		(64,612)	(22,341)
Net profit		188,749	38,910
Attributable to:			
Shareholders of the parent Bank		188,745	38,856
Minority interest		4	54
		188,749	38,910

Signed and authorized for release on behalf of the Management Board

Vasili S. Matyushevski



Chairman of the Board

Anatoly V. Boreiko



Chief Accountant

20 May 2013

Interim condensed consolidated statement of comprehensive income
For the 3 months ended 31 March 2013

*(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as of 31 March 2013)*

	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Net profit	188,749	38,910
Other comprehensive income		
Net change in income tax relating to office premises remeasurement	(5,707)	(11,004)
Net change in fair value of investments available for sale	31,445	37,662
Reclassification adjustments for gains included in profit or loss from comprehensive income on disposal of investments available for sale	625	1,383
Other comprehensive income	26,363	28,041
Total comprehensive income	215,112	66,951
Attributable to:		
Shareholders of the parent	215,108	66,897
Minority interest	4	54
Total comprehensive income	215,112	66,951

Interim condensed consolidated statement of changes in equity**For the 3 months ended 31 March 2013***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)*

	Notes	Share capital	Revaluation reserve for office premises	Investments available for sale fair value deficit	Retained earnings	Total equity attributable to shareholders of the Bank	Minority interest	Total equity
31 December 2011		2,284,887	385,200	(86,458)	60,801	2,644,430	214	2,644,644
Total comprehensive income for the period		-	(11,004)	39,045	38,856	66,897	54	66,951
Amortisation of revaluation reserve for premises, net of tax		-	(2,056)	-	2,056	-	-	-
Dividends paid	17	-	-	-	(12,125)	(12,125)	-	(12,125)
31 March 2012 (unaudited)		2,284,887	372,140	(47,413)	89,588	2,699,202	268	2,699,470
31 December 2012		2,334,306	290,596	(34,726)	252,062	2,842,238	232	2,842,470
Total comprehensive income for the period		-	(5,707)	32,070	188,745	215,108	4	215,112
Amortisation of revaluation reserve for premises, net of tax		-	(1,809)	-	1,809	-	-	-
Disposal of premises		-	(1,282)	-	1,282	-	-	-
Dividends paid	17	-	-	-	(20,937)	(20,937)	-	(20,937)
31 March 2013 (unaudited)		2,334,306	281,798	(2,656)	422,961	3,036,409	236	3,036,645

Interim condensed consolidated statement of cash flows**For the 3 months ended 31 March 2013***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)*

Notes	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Cash flows from operating activities:		
Interest income	984,187	1,180,833
Interest expense	(560,428)	(713,721)
Fee and commission income	242,239	190,968
Fee and commission expense	(57,765)	(45,687)
Net gain on foreign exchange operations	40,568	40,042
Net gain on derivative financial instruments	721,273	17,752
Net gain on disposal of investments available for sale	(625)	(1,383)
Net gain on precious metals	4,384	10,443
Other income	6,922	11,627
Operating expenses	(281,948)	(319,251)
Income taxes paid	(9,662)	(121,546)
Cash flows from operating activities before changes in operating assets and liabilities	1,089,145	250,077
Changes in operating assets and liabilities		
<i>(Increase)/decrease in operating assets:</i>		
Minimum reserve deposit with the National Bank of the Republic of Belarus	5,894	(15,184)
Due from banks	90,632	22,741
Loans to corporate customers	(1,302,315)	(1,427,157)
Loans to individuals	(14,833)	265,529
Other assets	2,596	(3,353)
<i>Increase/(decrease) in operating liabilities:</i>		
Loans from the National Bank of the Republic of Belarus	(7,147)	(11,533)
Due to banks	119,859	(1,918,795)
Due to individuals	292,943	763,316
Due to corporate customers	(1,033,972)	1,668,395
Debt securities issued	81,662	184,487
Other liabilities	18,614	13,831
Net cash outflow from operating activities	(656,922)	(207,646)

Interim condensed consolidated statement of cash flows**For the 3 months ended 31 March 2013 (continued)***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)*

	Notes	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Cash flows from investing activities:			
Purchase of premises, equipment and intangible assets		(56,045)	(32,592)
Proceeds on sale of premises and equipment		13,175	861
Purchase of investments available for sale		-	(617,356)
Proceeds on repayment of investments available for sale		12,368	-
Dividends received		1,892	-
Net cash outflow from investing activities		(28,610)	(649,087)
Effect of changes in foreign exchange rates on cash and cash equivalents		3,461	3,479
Inflation effect on monetary assets and liabilities		(248,751)	(281,075)
Net decrease in cash and cash equivalents		(685,532)	(856,733)
Cash and cash equivalents, beginning of the period	3	4,200,710	5,743,150
Cash and cash equivalents, end of the period	3	3,269,888	4,608,821

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

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 March 2013 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 3 months, ended 31 March 2013, and 3 months, ended 31 March 2012, was 4,115 and 4,488 persons, respectively.

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

Name	Country of operation	Proportion of ownership interest/ voting rights, %		Type of operation
		31 March 2013	31 December 2012	
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 Software development and consulting
LLC "Sberbank-Technologies"	Republic of Belarus	25.0	25.0	Information and communication services
CJSC "Service Desk"	Republic of Belarus	99.9	99.9	

As at 31 March 2013 and 31 December 2012 the following shareholders owned the issued shares of the Bank:

Shareholder	31 March 2013, %	31 December 2012, %
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 interim condensed consolidated financial statements were authorized for issue by the Management Board on 20 May 2013.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

2. Basis of presentation

General

These interim condensed consolidated financial statements of JSC "BPS-Sberbank" (the "Bank") and its subsidiaries ("the Group") for three months ended 31 March 2013 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2012.

These interim condensed consolidated financial statements are presented in millions of Belarusian roubles ("BYR"), unless otherwise indicated. The exchange rates at the end of the reporting period used by the Group in the preparation of the interim condensed consolidated financial statements are as follows:

	<u>31 March 2013</u>	<u>31 December 2012</u>
BYR/USD	8,670.00	8,570.00
BYR/EUR	11,110.00	11,340.00
BYR/RUR	279.00	282.00

The preparation of financial statements under IFRS requires Management to make estimates and assumptions for certain categories of assets and liabilities. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. The Management performs backtesting of its judgments and appraisals on a regular basis. The Management's appraisals and judgments are based on the all available historical data and other factors, which are reasonably solid in current circumstances. Actual results could differ from Management's estimates and the results reported should not be regarded as necessarily indicative of results that may be expected for the entire year.

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2012, except for the changes introduced due to implementation of new and/or revised standards and interpretations starting from 1 January 2013, noted below.

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:

<u>Year</u>	<u>Index, %</u>	<u>Conversion factors</u>
2006	106.46	410.86
2007	111.97	366.93
2008	113.45	323.43
2009	109.85	294.43
2010	110.03	267.59
2011	208.67	128.24
3 months 2012	104.98	122.16
2012	121.69	105.38
3 months 2013	105.38	100.00

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at 31 March 2013. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as at 31 March 2013) are restated by applying the relevant index. The effect of inflation on the Group's net monetary position is included in the interim condensed consolidated income statement as loss on net monetary position.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

2. Basis of presentation (continued)

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 interim condensed consolidated statement of comprehensive income. Corresponding figures for the year ended 31 December 2012 have also been restated so that they are presented in terms of the purchasing power of the Belarusian Rouble as at 31 March 2013. Income and expense items of the interim condensed consolidated income statement for the 3 months ended 31 March 2013 and 31 March 2012 were restated on a quarterly basis with the use of average indexes for each quarter.

Functional and presentation currency

The functional and presentation currency of these interim condensed 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.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new Standards and Interpretations as at 1 January 2013, noted below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the consolidation of investments held by the Group.

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. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. Some of these disclosures are specifically required for financial instruments by IAS 34.16A(j), thereby affecting the interim condensed consolidated financial statements. The Group provides these disclosures in Note 27.

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. These amendments had 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.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

2. Basis of presentation (continued)

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 had no impact on the Group's financial position or performance.

Amendment to IAS 32 Financial Instruments, Presentation

This amendment clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes. The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 to any income tax arising from distributions to equity holders. The amendment did not have an impact on the interim condensed consolidated financial statements for the Group, as there is no tax consequences attached to cash or non-cash distribution.

Amendment to IAS 34 Interim Financial Reporting

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker. As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the chief operating decision maker.

3. Cash and cash equivalents

	31 March 2013 (unaudited)	31 December 2012
Cash	1,287,572	1,413,467
Current accounts with the National Bank	1,440,154	1,390,808
Short-term deposits with the National Bank	325,454	-
Correspondent accounts and placements with other banks with original maturities up to 30 days:		
- Belarus	27,801	421,560
- Other countries	185,437	767,366
Settlements with the Belarusian Currency and Stock Exchange	3,470	207,509
Total cash and cash equivalents	3,269,888	4,200,710

Correspondent accounts and placements with other banks 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 as at 31 March 2013 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	-	23,551	4,250	27,801
- Other countries	178,256	3,354	3,827	185,437
Total	178,256	26,905	8,077	213,238

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

3. Cash and cash equivalents (continued)

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

	<i>Investment rating</i>	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Belarus	-	337,112	84,448	421,560
- Other countries	759,658	525	7,183	767,366
Total	759,658	337,637	91,631	1,188,926

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

As at 31 March 2013 and 31 December 2012 all cash and cash equivalents are neither past due nor impaired.

4. Due from banks

Due from banks comprise:

	<i>31 March 2013 (unaudited)</i>	<i>31 December 2012</i>
Time deposits and loans to banks:		
- Belarus	125,251	189,253
Total due from banks	125,251	189,253

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 as at 31 March 2013 made on the basis of ratings of international rating agencies is as follows:

	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
Time deposits and loans to banks:			
- Belarus	125,251	-	125,251
Total	125,251	-	125,251

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

	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
Time deposits and loans to banks:			
- Belarus	189,253	-	189,253
Total	189,253	-	189,253

As at 31 March 2013 and 31 December 2012 included in due from banks were fixed amounts of BYR 952 million and BYR 993 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 March 2013 and 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 93,299 million and BYR 91,964 million, respectively, with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National Bank.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

5. Derivative financial instruments

As at 31 March 2013 and 31 December 2012 derivative financial instruments comprise:

<i>Derivative type</i>	<i>Nominal amount (in units of currency to be purchased)</i>	<i>Fair Value at 31 March 2013 (unaudited)</i>	
		<i>Asset</i>	<i>Liability</i>
EUR/BYR foreign currency swap	EUR 340,709,341	2,536,187	-
XAU/BYR precious metals swap	XAU 5,005,000	1,581,351	-
USD/BYR foreign currency swap	USD 113,744,932	584,725	13,373
USD/XAU foreign currency swap	USD 6,311,275	3,421	-
RUR/EUR foreign currency forward	RUR 215,408,755	325	1,187
USD/EUR foreign currency spot	USD 98,030,075	52	289
USD/RUR foreign currency spot	USD 1,700,000	21	-
EUR/USD foreign currency spot	EUR 950,000	13	3
RUR/USD foreign currency spot	RUR 124,295,447	5	6
XPT/EUR precious metals swap	XPT 97,976	-	2,388
XAU/EUR precious metals swap	XAU 741,507	-	28,757
XAU/USD precious metals swap	XAU 2,500,000	-	9,129
Total derivative financial instruments		4,706,100	55,132

<i>Derivative type</i>	<i>Nominal amount (in units of currency to be purchased)</i>	<i>Fair Value at 31 December 2012</i>	
		<i>Asset</i>	<i>Liability</i>
EUR/BYR foreign currency swap	EUR 340,709,341	2,743,918	-
XAU/BYR precious metals swap	XAU 7,510,000	2,553,854	-
USD/BYR foreign currency swap	USD 113,551,933	608,284	15,411
USD/XAU foreign currency swap	USD 6,311,275	1,509	-
RUR/EUR foreign currency forward	RUR 220,573,952	109	2,328
EUR/USD foreign currency spot	EUR 1,800,000	61	-
RUR/USD foreign currency swap	RUR 20,000,000	34	-
XAU/EUR precious metals swap	XAU 741,507	25	28,047
EUR/RUR foreign currency spot	EUR 1,000,000	-	26
USD/RUR foreign currency swap	USD 700,000	-	34
XPT/EUR precious metals swap	XPT 97,976	-	2,296
Total derivative financial instruments		5,907,794	48,142

As at 31 March 2013 and 31 December 2012 derivative financial instruments mainly comprised swap contracts with the National Bank to purchase Belarusian Roubles for foreign currency and precious metals.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

6. Loans to customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 March 2013 and 31 December 2012.

For the purposes of these interim condensed 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.

	<i>Not past due loans</i>	<i>Past due loans</i>	<i>Total</i>
31 March 2013 (unaudited)			
Commercial loans to legal entities	11,580,248	281,802	11,862,050
Specialized loans to legal entities	7,748,319	629,509	8,377,828
Consumer and other loans to individuals	512,067	17,757	529,824
Mortgage loans to individuals	443,960	21,566	465,526
Car loans to individuals	16,569	1,017	17,586
Total loans to customers before allowance for loan impairment	20,301,163	951,651	21,252,814
Less: Allowance for loan impairment	(635,629)	(260,453)	(896,082)
Total loans to customers net of allowance for loan impairment	19,665,534	691,198	20,356,732
31 December 2012			
Commercial loans to legal entities	11,123,724	255,623	11,379,347
Specialized loans to legal entities	8,062,290	545,972	8,608,262
Consumer and other loans to individuals	554,208	8,062	562,270
Mortgage loans to individuals	484,980	7,258	492,238
Car loans to individuals	16,654	234	16,888
Total loans to customers before allowance for loan impairment	20,241,856	817,149	21,059,005
Less: Allowance for loan impairment	(778,514)	(165,547)	(944,061)
Total loans to customers net of allowance for loan impairment	19,463,342	651,602	20,114,944

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.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

6. Loans to customers (continued)

The table below shows the analysis of loans and provisions for loan impairment as at 31 March 2013:

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities				
<i>Collectively assessed</i>				
Not past due	10,563,873	(163,240)	10,400,633	1.5%
Loans up to 30 days overdue	93,114	(1,578)	91,536	1.7%
Loans 31 to 60 days overdue	11,324	(200)	11,124	1.8%
Loans 61 to 90 days overdue	23,203	(388)	22,815	1.7%
Loans 91 up to 180 days overdue	9,469	(189)	9,280	2.0%
Loans over 180 days overdue	39,129	(8,905)	30,224	22.8%
Total collectively assessed loans	10,740,112	(174,500)	10,565,612	1.6%
<i>Individually impaired</i>				
Not past due	1,016,375	(61,848)	954,527	6.1%
Loans up to 30 days overdue	31,038	(8,679)	22,359	28.0%
Loans 31 to 60 days overdue	-	-	-	-
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	-	-	-	-
Loans over 180 days overdue	74,525	(47,554)	26,971	63.8%
Total individually impaired loans	1,121,938	(118,081)	1,003,857	10.5%
Total commercial loans to legal entities	11,862,050	(292,581)	11,569,469	2.5%
Specialized loans to legal entities				
<i>Collectively assessed</i>				
Not past due	6,325,208	(164,456)	6,160,752	2.6%
Loans up to 30 days overdue	12,353	(215)	12,138	1.7%
Loans 31 to 60 days overdue	20,038	(342)	19,696	1.7%
Loans 61 to 90 days overdue	1,873	(68)	1,805	3.6%
Loans 91 up to 180 days overdue	28,693	(523)	28,170	1.8%
Loans over 180 days overdue	15,651	(4,229)	11,422	27.0%
Total collectively assessed loans	6,403,816	(169,833)	6,233,983	2.7%
<i>Individually impaired</i>				
Not past due	1,423,111	(243,774)	1,179,337	17.1%
Loans up to 30 days overdue	357,908	(74,447)	283,461	20.8%
Loans 31 to 60 days overdue	112,895	(39,549)	73,346	35.0%
Loans 61 to 90 days overdue	2,758	(359)	2,399	13.0%
Loans 91 up to 180 days overdue	5,628	(649)	4,979	11.5%
Loans over 180 days overdue	71,712	(50,101)	21,611	69.9%
Total individually impaired loans	1,974,012	(408,879)	1,565,133	20.7%
Total specialized loans to legal entities	8,377,828	(578,712)	7,799,116	6.9%
Total loans to legal entities	20,239,878	(871,293)	19,368,585	4.3%

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

6. Loans to customers (continued)

	<i>Gross loans</i>	<i>Allowance for loan impairment</i>	<i>Net loans</i>	<i>Allowance for loan impairment to gross loans</i>
Consumer and other loans to individuals				
<i>Collectively assessed</i>				
Not past due	512,067	(782)	511,285	0.2%
Loans up to 30 days overdue	6,879	(777)	6,102	11.3%
Loans 31 to 60 days overdue	1,684	(755)	929	44.8%
Loans 61 to 90 days overdue	614	(605)	9	98.5%
Loans 91 up to 180 days overdue	783	(783)	-	100.0%
Loans over 180 days overdue	7,797	(7,797)	-	100.0%
Total consumer and other loans to individuals	529,824	(11,499)	518,325	2.2%
Mortgage loans to individuals				
<i>Collectively assessed</i>				
Not past due	443,960	(1,475)	442,485	0.3%
Loans up to 30 days overdue	9,687	(1,360)	8,327	14.0%
Loans 31 to 60 days overdue	3,779	(1,770)	2,009	46.8%
Loans 61 to 90 days overdue	965	(963)	2	99.8%
Loans 91 up to 180 days overdue	2,426	(2,426)	-	100.0%
Loans over 180 days overdue	4,709	(4,709)	-	100.0%
Total mortgage loans to individuals	465,526	(12,703)	452,823	2.7%
Car loans to individuals				
<i>Collectively assessed</i>				
Not past due	16,569	(54)	16,515	0.3%
Loans up to 30 days overdue	323	(45)	278	13.9%
Loans 31 to 60 days overdue	283	(77)	206	27.2%
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	-	-	-	-
Loans over 180 days overdue	411	(411)	-	100.0%
Total car loans to individuals	17,586	(587)	16,999	3.3%
Total loans to individuals	1,012,936	(24,789)	988,147	2.4%
Total loans and advances to customers as at 31 March 2013 (unaudited)	21,252,814	(896,082)	20,356,732	4.2%

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

6. 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				
<i>Collectively assessed</i>				
Not past due	9,796,167	(214,779)	9,581,388	2.2%
Loans up to 30 days overdue	57,634	(1,600)	56,034	2.8%
Loans 31 to 60 days overdue	46,202	(1,258)	44,944	2.7%
Loans 61 to 90 days overdue	8,781	(252)	8,529	2.9%
Loans 91 up to 180 days overdue	5,247	(169)	5,078	3.2%
Loans over 180 days overdue	45,397	(10,676)	34,721	23.5%
Total collectively assessed loans	9,959,428	(228,734)	9,730,694	2.3%
<i>Individually impaired</i>				
Not past due	1,327,557	(114,639)	1,212,918	8.6%
Loans up to 30 days overdue	16,693	(3,269)	13,424	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	75,669	(41,926)	33,743	55.4%
Total individually impaired loans	1,419,919	(159,834)	1,260,085	11.3%
Total commercial loans to legal entities	11,379,347	(388,568)	10,990,779	3.4%
Specialized loans to legal entities				
<i>Collectively assessed</i>				
Not past due	6,558,948	(199,054)	6,359,894	3.0%
Loans up to 30 days overdue	52,248	(1,419)	50,829	2.7%
Loans 31 to 60 days overdue	28,435	(785)	27,650	2.8%
Loans 61 to 90 days overdue	27,157	(758)	26,399	2.8%
Loans 91 up to 180 days overdue	10,902	(303)	10,599	2.8%
Loans over 180 days overdue	11,865	(1,764)	10,101	14.9%
Total collectively assessed loans	6,689,555	(204,083)	6,485,472	3.1%
<i>Individually impaired</i>				
Not past due	1,503,342	(205,806)	1,297,536	13.7%
Loans up to 30 days overdue	293,633	(86,699)	206,934	29.5%
Loans 31 to 60 days overdue	44,281	(2,376)	41,905	5.4%
Loans 61 to 90 days overdue	154	(5)	149	3.4%
Loans 91 up to 180 days overdue	52	(15)	37	28.6%
Loans over 180 days overdue	77,245	(9,940)	67,305	12.9%
Total individually impaired loans	1,918,707	(304,841)	1,613,866	15.9%
Total specialized loans to legal entities	8,608,262	(508,924)	8,099,338	5.9%
Total loans to legal entities	19,987,609	(897,492)	19,090,117	4.5%

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as of 31 March 2013)

6. 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				
<i>Collectively assessed</i>				
Not past due	554,208	(23,486)	530,722	4.2%
Loans up to 30 days overdue	4,516	(310)	4,206	6.9%
Loans 31 to 60 days overdue	1,292	(174)	1,118	13.5%
Loans 61 to 90 days overdue	495	(138)	357	27.9%
Loans 91 up to 180 days overdue	1,074	(593)	481	55.3%
Loans over 180 days overdue	685	(685)	-	100.0%
Total consumer and other loans to individuals	562,270	(25,386)	536,884	4.5%
Mortgage loans to individuals				
<i>Collectively assessed</i>				
Not past due	484,980	(20,222)	464,758	4.2%
Loans up to 30 days overdue	4,479	(197)	4,282	4.4%
Loans 31 to 60 days overdue	1,201	(55)	1,146	4.6%
Loans 61 to 90 days overdue	327	(19)	308	5.8%
Loans 91 up to 180 days overdue	1,216	(84)	1,132	6.9%
Loans over 180 days overdue	35	(35)	-	100.0%
Total mortgage loans to individuals	492,238	(20,612)	471,626	4.2%
Car loans to individuals				
<i>Collectively assessed</i>				
Not past due	16,654	(531)	16,123	3.2%
Loans up to 30 days overdue	150	(8)	142	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	45	(27)	18	60.5%
Loans over 180 days overdue	27	(1)	26	3.8%
Total car loans to individuals	16,888	(571)	16,317	3.4%
Total loans to individuals	1,071,396	(46,569)	1,024,827	4.3%
Total loans and advances to customers as at 31 December 2012	21,059,005	(944,061)	20,114,944	4.5%

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.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

6. Loans to customers (continued)

As at 31 March 2013 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	123,123	(56,648)	66,475	46.0%
Specialised loans to legal entities	121,684	(55,502)	66,182	45.6%
Consumer and other loans to individuals	8,580	(8,580)	-	100.0%
Mortgage loans to individuals	7,135	(7,135)	-	100.0%
Car loans to individuals	411	(411)	-	100.0%
Total non-performing loans to customers as at 31 March 2013 (unaudited)	260,933	(128,276)	132,657	49.16%

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	126,313	(52,771)	73,542	41.8%
Specialised loans to legal entities	100,064	(12,022)	88,042	12.0%
Consumer and other loans to individuals	1,759	(1,278)	481	72.7%
Mortgage loans to individuals	1,251	(119)	1,132	9.5%
Car loans to individuals	72	(28)	44	38.9%
Total non-performing loans to customers as at 31 December 2012	229,459	(66,218)	163,241	28.9%

Movements in allowances for impairment losses for the periods ended 31 March 2013 and 31 March 2012 are disclosed in Note 19.

Information on loans which terms have been renegotiated, as at 31 March 2013 and 31 December 2012 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 individually assessed loans	37,692	-	37,692
Not past due collectively assessed loans	854	1,794	2,648
Total renegotiated loans before allowance for loan impairment as at 31 March 2013 (unaudited)	38,546	1,794	40,340
	Commercial loans to legal entities	Specialised loans to legal entities	Total
Not past due collectively assessed loans	3,435	2,188	5,623
Total renegotiated loans before allowance for loan impairment as at 31 December 2012	3,435	2,188	5,623

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6. 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 March 2013 and 31 December 2012 is as follows:

	31 March 2013 (unaudited)	31 December 2012
Gross investment in finance lease	234,204	280,845
Unearned future finance income on finance lease	(66,116)	(85,340)
Net investment in finance lease before provision for impairment	168,088	195,505
Less provision for impairment	(10,903)	(9,796)
Net investment in finance lease after provision for impairment	157,185	185,709

The contractual maturity analysis of net investments in finance lease as at 31 March 2013 is as follows:

	<i>Net investment in finance lease before allowance for impairment</i>	<i>Allowance for loan impairment</i>	<i>Net investment in finance lease after allowance for impairment</i>
Not later than 1 year	65,589	(5,216)	60,373
Later than 1 year but not later than 5 years	102,499	(5,687)	96,812
Later than 5 years	-	-	-
Total as at 31 March 2013 (unaudited)	168,088	(10,903)	157,185

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

	<i>Net investment in finance lease before allowance for impairment</i>	<i>Allowance for loan impairment</i>	<i>Net investment in finance lease after allowance for impairment</i>
Not later than 1 year	75,204	(3,768)	71,436
Later than 1 year but not later than 5 years	120,284	(6,027)	114,257
Later than 5 years	17	(1)	16
Total as at 31 December 2012	195,505	(9,796)	185,709

The analysis of minimal finance lease receivables as at 31 March 2013 and 31 December 2012 per contractual maturity is as follows:

	31 March 2013 (unaudited)	31 December 2012
Not later than 1 year	97,218	116,134
Later than 1 year but not later than 5 years	136,986	164,693
Later than 5 years	-	18
Total	234,204	280,845

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6. Loans to customers (continued)

Economic sector risk concentrations within the customer loan portfolio as at 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013 (unaudited)		31 December 2012	
	Amount	%	Amount	%
Machinery and equipment	4,223,132	19.9	3,975,201	18.8
Trade and catering	2,601,755	12.2	2,678,084	12.7
Financial services	1,864,840	8.8	1,896,103	9.0
Food	1,784,593	8.4	1,606,041	7.6
Timber and woodworking industry	1,745,642	8.2	1,681,419	8.0
Chemical and oil refinery industry	1,599,569	7.5	1,678,185	8.0
Construction	1,308,981	6.2	1,361,536	6.5
Transport and communication	1,147,967	5.4	1,236,079	5.9
Energy and fuel	1,088,673	5.1	984,432	4.7
Individuals	1,012,936	4.8	1,071,396	5.1
Building materials	760,268	3.6	783,280	3.7
Mining	662,789	3.1	517,822	2.5
Light industry	577,715	2.7	652,281	3.1
Metallurgy	325,254	1.5	407,969	1.9
Agriculture	259,995	1.2	238,481	1.1
Other	288,705	1.4	290,696	1.4
Total loans to customers before allowance for loan impairment	21,252,814	100.0	21,059,005	100.0

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

	31 March 2013 (unaudited)	31 December 2012
Loans collateralized by equipment and rights thereon	4,942,416	4,811,057
Loans collateralized by real estate or rights thereon	3,717,497	3,574,754
Loans collateralized by lien over receivables	3,658,167	3,500,038
Loans collateralized by inventories	3,249,256	2,808,850
Loans collateralized by guarantees of the Government and local authorities	2,745,346	2,800,701
Loans collateralized by guarantees of enterprises	955,009	1,020,277
Loans collateralized by guarantees of individuals	778,504	845,122
Loans collateralized by other types of collateral	689,718	1,130,073
Loans collateralized by cash or guarantee deposits	516,901	568,133
	21,252,814	21,059,005
Less allowance for loan impairment	(896,082)	(944,061)
Total loans to customers	20,356,732	20,114,944

As at 31 March 2013 the aggregated loan amount of 20 largest borrowers was BYR 7,071,095 million or 33.3% of the total gross loan portfolio of the Group (31 December 2012: BYR 7,346,980 million or 34.9%).

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

As at 31 March 2013 loans to customers included specialized loans in USD in the amount of BYR 290,660 million provided to two borrowers (31 December 2012: BYR 307,657 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 12).

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

7. Non-current assets held for sale

As at 31 March 2013 and 31 December 2012 non-current assets held for sale include premises previously used by the Group and machinery equipment of a bankrupted borrower. The Management has elaborated a plan to dispose premises and equipment. The sale transactions for these assets are expected to be completed in 2013.

During the 3 months ended 31 March 2013 the Management has decided to sell an office premise, previously used in operating activity. According to IFRS 5 the premise was recognised as non-current asset held for sale and measured at the lower of its carrying amount and fair value. Net book value of the premise at the date of the transfer from "Premises and equipment" to "Non-current assets held for sale" amounted to BYR 1,555 million. The Group is in active search of a contracting party and expects to complete the transaction in 2013.

8. Investments available for sale

Investments available for sale comprise:

	<i>Interest to nominal, %</i>	31 March 2013 (unaudited)	<i>Interest to nominal, %</i>	31 December 2012
Republic of Belarus Eurobonds	8.75	228,129	8.75	238,982
Long-term government bonds	10.00	198,352	10.00	200,734
Bonds of Belarusian banks	20.00	196,271	20.00	204,685
Bonds of Belarusian companies	7.98-32.50	94,657	8.00-34.00	110,953
Shares	-	16,729	-	16,443
Bonds issued by municipalities	28.50	10,614	30.00	9,505
Total investments available for sale		744,752		781,302

9. Investments held to maturity

Investments held to maturity comprise:

	<i>Currency</i>	<i>Maturity date</i>	<i>Interest to nominal</i>	31 March 2013 (unaudited)
Bonds of Belarusian banks	BYR	October 2013	20.00%	331,631
Republic of Belarus Eurobonds	USD	August 2015	8.75%	149,662
Coupon long-term government bonds	BYR	September 2014	2.00%	26,657
Bonds issued by municipalities	BYR	July 2020	28.50%	10,614
Bonds of Belarusian companies	BYR	August 2013	32.50%	1,520
Total investments held to maturity				520,084

	<i>Currency</i>	<i>Maturity date</i>	<i>Interest to nominal</i>	31 December 2012
Bonds of Belarusian banks	BYR	October 2013	20.00%	344,736
Republic of Belarus Eurobonds	USD	August 2015	8.75%	159,274
Coupon long-term government bonds	BYR	September 2014	2.00%	27,378
Bonds issued by municipalities	BYR	July 2020	30.00%	11,185
Bonds of Belarusian companies	BYR	August 2013	34.00%	1,605
Total investments held to maturity				544,178

10. Premises and equipment and intangible assets

For the 3 months ended 31 March 2013 the Group's premises, equipment, and intangible assets additions amounted to BYR 46,638 million (for the 3 months ended 31 March 2012 - BYR 46,106 million), disposals of premises, equipment, and intangible assets amounted to BYR 3,827 million (for the 3 months ended 31 March 2012 - BYR 296 million).

As at 31 March 2013 included in computer equipment are fully depreciated items in the amount of BYR 118,788 million (31 December 2012: BYR 117,978 million), in vehicles in the amount of BYR 21,460 million (31 December 2012: BYR 19,513 million) and in furniture and other assets in the amount of BYR 128,233 million (31 December 2012: BYR 138,857 million).

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

11. Other assets

Other assets comprise:

	31 March 2013 (unaudited)	31 December 2012
Other financial assets:		
Settlement accounts on other banking services	128,891	142,441
Accrued income	6,328	4,746
Compensation payments from participation in government program on supporting national producers of consumer goods	485	916
Other	81	-
	135,785	148,103
Other non-financial assets:		
Precious metals	32,835	22,338
Prepaid expenses	29,455	21,427
Prepayments for premises, equipment and intangible assets	24,767	21,871
Taxes recoverable and prepaid, other than income taxes	20,581	31,713
Prepayments for assets to be transferred into finance lease	16,847	-
Inventory	10,476	12,248
Other advances and prepayments	4,300	12,152
	139,261	121,749
Total other assets	275,046	269,852

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

As at 31 March 2013 and 31 December 2012 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 289,808 million and BYR 308,460 million, respectively, granted in USD for further financing of two borrowers (Note 6). Contractually the Bank bears all credit risk and earns 0.2% - 1.5% interest margin on these agreements.

13. Due to banks

Due to banks comprise:

	31 March 2013 (unaudited)	31 December 2012
Loans from banks and financial institutions	5,609,650	6,247,484
Loan in precious metals	3,343,069	3,611,145
Correspondent accounts of banks	631,522	410,845
Repo agreements	199,974	87,031
Total due to banks	9,784,215	10,356,505

As at 31 March 2013 a balance of due to banks amounting to BYR 7,542,887 million was due to five counterparties, including BYR 6,229,439 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

As at 31 December 2012 a balance of due to banks amounting to BYR 8,313,678 million was due to three counterparties, including BYR 7,511,021 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

14. Due to individuals and due to corporate customers

Due to individuals and corporate customers comprise:

	31 March 2013 <i>(unaudited)</i>	31 December 2012
Individuals:		
-Current/demand accounts	1,820,478	1,854,466
-Term deposits	6,248,737	6,322,162
Total due to individuals	8,069,215	8,176,628
State and public organisations:		
-Current/settlement accounts	99,675	154,694
-Term deposits	291,087	350,122
Total due to state and public organisations	390,762	504,816
Other corporate customers:		
-Current/settlement accounts	2,580,784	4,037,818
-Term deposits	5,146,926	5,134,502
Total due to other corporate customers	7,727,710	9,172,320
Total due to corporate customers	8,118,472	9,677,136
Total due to individuals and corporate customers	16,187,687	17,853,764

As at 31 March 2013 included in due to corporate customers are deposits of BYR 1,321,319 million (31 December 2012: BYR 1,203,272 million) held as collateral for irrevocable commitments under import letters of credit.

As at 31 March 2013 the aggregated balances of 20 largest customers was BYR 3,295,395 million or 20.4% of total due to individuals and corporate customers (31 December 2012: BYR 3,240,305 million or 18.1%).

Industry sector concentrations within customer accounts are as follows:

	31 March 2013 <i>(unaudited)</i>		31 December 2012	
	Amount	%	Amount	%
Individuals	8,069,215	49.8	8,176,628	45.8
Machinery and equipment	1,307,099	8.1	1,624,727	9.1
Oil refinery and chemical industry	1,258,446	7.8	1,172,868	6.6
Trade	1,020,562	6.3	1,446,486	8.1
Insurance and other financial services	984,875	6.1	1,064,497	6.0
Construction	847,201	5.2	1,482,316	8.3
Transport and communications	704,331	4.3	733,260	4.1
Energy	277,588	1.7	230,081	1.3
Education	267,866	1.7	280,124	1.6
Woodworking and timber industry	238,404	1.5	229,956	1.3
Agriculture	143,160	0.9	15,525	0.1
Building materials industry	139,514	0.9	219,259	1.2
Food	98,430	0.6	72,603	0.4
Light industry	95,740	0.6	103,278	0.6
State and government bodies	47,946	0.3	115,777	0.6
Mining	45,247	0.3	69,617	0.4
Metallurgy	34,593	0.2	78,765	0.4
Other	607,470	3.7	737,997	4.1
Total due to individuals and corporate customers	16,187,687	100.0	17,853,764	100.0

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

15. Debt securities issued

Debt securities issued comprise:

	<i>Nominal interest rate, %</i>	<i>31 March 2013 (unaudited)</i>	<i>Nominal interest rate, %</i>	<i>31 December 2012</i>
Bonds issued to legal entities	4.5-28.5	1,035,966	5.0-30.0	1,076,537
Bonds issued to individuals	7.0-33.5	146,682	7.0-36.0	125,766
Certificates of deposit	30.0-38.0	37,298	21.0-37.0	4,128
Saving certificates	15.5-18.0	2	15.5-18.0	2
Total debt securities issued		1,219,948		1,206,433

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 December 2015 (31 December 2012: from “on demand” to May 2014). Interest rates on such bonds vary from 4.5-7.0% (for bonds in USD, EUR and RUR) to 28.5% (for bonds in BYR) p.a. (31 December 2012: from 5% до 30% 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 (31 December 2012: from “on demand” to October 2014). Interest rates on such bonds vary from 7.0% (for bonds in USD and EUR) to 33.5% (for bonds in BYR) p.a. (31 December 2012: from 7.0% to 36.0% 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 September 2013 (31 December 2012: from “on demand” to December 2013). Interest rates on such securities vary from 15.5% to 38.0% p.a. (31 December 2012: from 15.5% to 37.0% p.a.).

16. Other liabilities

Other liabilities comprise:

	<i>31 March 2013 (unaudited)</i>	<i>31 December 2012</i>
Other financial liabilities:		
Settlement accounts on other banking services	85,220	37,599
Accrued fee payable under documentary transactions and transactions with plastic cards	23,298	25,643
Payments due to other contractors	11,589	24,599
Payables for assets to be transferred into finance lease	3,809	4,253
Payables for premises and equipment	-	4,508
	123,916	96,602
Other non-financial liabilities:		
Unused leave and bonus accrual	38,842	71,677
Taxes payable, other than income taxes	29,510	29,346
Accrued contributions to deposits protection fund	23,656	24,142
Other	20,640	943
	112,648	126,108
Total other liabilities	236,564	222,710

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

17. Share capital

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

	<i>Number of shares</i>		<i>Nominal amount, BYR</i>		<i>Inflation adjustment</i>	<i>Total, mln. BYR</i>
	<i>Preferred</i>	<i>Ordinary</i>	<i>Preferred</i>	<i>Ordinary</i>		
31 December 2012	871,112	1,102,828,888	500	500	1,782,456	2,334,306
31 March 2013 (unaudited)	871,112	1,102,828,888	500	500	1,782,456	2,334,306

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.

During the 3 months ended 31 March 2013 the Bank declared BYR 20,919 million and BYR 18 million dividends on ordinary and preference shares for the year 2012, respectively. The dividends were BYR 19 per ordinary share and BYR 21 per preference share.

During the 3 months ended 31 March 2012 the Bank declared BYR 12,103 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.

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 202,525 million of undistributed and unreserved earnings as at 31 March 2013 (31 December 2012: BYR 724,295 million).

18. Net interest income before loan impairment

The net interest income before allowance for loan impairment comprises:

	<i>3 months ended 31 March 2013 (unaudited)</i>	<i>3 months ended 31 March 2012 (unaudited)</i>
Interest income		
Interest on loans to corporate customers	853,504	941,303
Interest on loans to individuals	73,029	106,762
Interest on investments held to maturity	27,058	2,421
Interest on investments available for sale	25,771	43,719
Interest on due from banks	22,728	104,678
Compensation payments on participation in government program	378	2,145
Total interest income	1,002,468	1,201,028
Interest expense		
Interest on due to corporate customers	249,545	266,773
Interest on due to individuals	157,432	227,211
Interest on deposits from banks	115,371	116,880
Interest on debt securities issued	50,268	95,106
Interest on deposits from National Bank	12,314	8,008
Total interest expense	584,930	713,978
Net interest income before allowance for loan impairment	417,538	487,050

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

19. 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 2011	292,120	409,861	25,836	26,435	1,107	755,359
Allowance charge/ (reversal of allowance) for the period	34,552	2,839	(184)	(2,455)	415	35,167
Amounts written off	-	(1,477)	-	-	-	(1,477)
Inflation effect	(13,814)	(19,486)	(1,225)	(1,255)	(54)	(35,834)
31 March 2012 (unaudited)	312,858	391,737	24,427	22,725	1,468	753,215
31 December 2012	388,568	508,924	25,386	20,612	571	944,061
(Reversal of allowance)/ allowance charge for the period	(76,149)	95,770	(12,591)	(6,857)	45	218
Inflation effect	(19,838)	(25,982)	(1,296)	(1,052)	(29)	(48,197)
31 March 2013 (unaudited)	292,581	578,712	11,499	12,703	587	896,082

The movements in provision on other transactions were as follows:

	Guarantees and other commitments
31 December 2011	6,733
Provision	3,286
Inflation effect	(319)
31 March 2012 (unaudited)	9,700
31 December 2012	11,398
Provision	77
Inflation effect	(582)
31 March 2013 (unaudited)	10,893

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

20. Fee and commission income and expense

Fee and commission income and expense comprise:

	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Fee and commission income		
Salary transfer on card accounts and related cash withdrawals	64,491	53,899
Other operations with plastic cards	62,611	37,739
Settlement and cash operations with clients	41,585	37,228
Documentary operations	38,972	28,374
Foreign exchange operations	19,273	20,567
Cash delivery and collection	11,156	9,186
Settlements with banks	2,028	2,473
Securities operations	686	701
Other	1,437	801
Total fee and commission income	242,239	190,968
Fee and commission expense		
Plastic cards operations	28,004	19,282
Documentary operations	24,555	17,575
Correspondent bank services	2,634	2,299
Foreign exchange and cash operations	1,024	1,812
Cash delivery and collection	1,302	2,899
Other	246	1,820
Total fee and commission expense	57,765	45,687

21. Net gain/(loss) on foreign exchange and precious metals operations

Net gain on foreign exchange operations comprises:

	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Net gains arising from trading in foreign currencies	40,568	40,042
Net foreign exchange translation gains	79,039	70,351
Net losses from operations with foreign currency derivatives	(54,746)	(83,118)
Total net gain on foreign exchange operations	64,861	27,275

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

	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Net gains from operations with physical precious metals	4,384	10,443
Net precious metals translations gains/(losses)	102,345	(171,955)
Net (losses)/gains from operations with precious metals derivatives	(133,510)	30,034
Total net loss from operations with precious metals	(26,781)	(131,478)

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

22. Other income

Other income comprises:

	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Net gain from sale of premises, equipment and other assets	9,348	-
Repayment of loans previously written off	2,375	6,686
Proceeds from non-banking activities of subsidiaries	894	1,962
Penalties received	323	-
Income from operating leases	81	92
Other	3,249	3,711
Total other income	16,270	12,451

23. Operating expenses

Operating expenses comprise:

	3 months ended 31 March 2013 (unaudited)	3 months ended 31 March 2012 (unaudited)
Staff costs	124,778	166,894
Social security contribution	33,755	46,854
Other staff expenses	1,797	2,371
Personnel expenses	160,330	216,119
Depreciation and amortization	32,863	25,261
Contributions to deposits protection fund	24,345	22,011
Expenses on maintenance of banking software	16,119	9,774
Premises and equipment maintenance	10,647	6,555
Taxes, other than income taxes	9,835	6,189
Advertising costs	9,402	8,355
Security expenses	7,520	6,024
Operating leases	7,311	4,632
Public utilities payments	6,149	7,319
Stationery	5,626	1,391
Vehicles maintenance and fuel expenses	2,106	2,044
Communications	1,332	982
Charity and sponsorship expenses	1,300	651
Legal and consulting services	1,125	4,752
Net loss from sale of premises, equipment and other assets	-	258
Other expenses	18,801	22,453
Other operating expenses	154,481	128,651
Total operating expenses	314,811	344,770

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24. 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 interim condensed 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 10,893 million and BYR 11,398 million as at 31 March 2013 and 31 December 2012, respectively (Note 19).

As at 31 March 2013 and 31 December 2012 the nominal or contract amounts of contingent liabilities were:

	31 March 2013 (unaudited)	31 December 2012
Contingent liabilities and credit commitments		
Uncovered letters of credit	1,977,207	2,086,686
Commitments on loans and unused credit lines	1,891,581	1,821,147
Letters of credit secured by cash	1,321,319	1,203,272
Guarantees issued and similar commitments	1,290,986	1,212,058
Total contingent liabilities and credit commitments	6,481,093	6,323,163

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancelable operating leases as at 31 March 2013 and 31 December 2012 are as follows:

	31 March 2013 (unaudited)	31 December 2012
Not later than 1 year	34,396	26,366
Later than 1 year and not later than 5 years	49,545	38,664
Later than 5 years	1,427	1,383
Total operating lease commitments	85,368	66,413

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 interim condensed consolidated financial statements.

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. As at 31 March 2013 and 31 December 2012 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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24. 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.

In the first quarter of 2013 stabilization of the macroeconomic environment in Belarus was continued. The slowdown in inflation which comprised 5.4% for 3 months of 2013 had positive impact on the economy. The National Bank decreased the refinance rate from 30% as at 31 December 2012 to 28.5% as at 31 March 2013 which led to the decrease in bank loan rates for legal entities and individuals. The exchange rates towards major foreign currencies remained stable during the first quarter of 2013.

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 Group and its counterparties in a manner not currently determinable.

25. 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 as at 31 March 2013 and 31 December 2012 with related parties:

	31 March 2013 (unaudited)		31 December 2012	
	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	113,532	3,269,888	78,932	4,200,710
-parent bank	113,532		78,932	
Loans to corporate customers, gross	54,838	20,239,878	73,826	19,987,609
-associates	54,838		73,826	
Loans to individuals, gross	22,207	1,012,936	20,158	1,071,396
-key management personnel	22,207		20,158	
Allowance for impairment losses	1,529	896,082	8,324	944,061
- associates	989		7,448	
- key management personnel	540		876	
Investments in associates	48,998	48,998	39,759	39,759
Due to banks	6,229,439	9,784,215	7,511,021	10,356,505
- parent bank	6,229,439		7,511,021	
Subordinated debt	444,753	444,753	478,383	478,383
- parent bank	444,753		478,383	
Due to individuals	24,120	8,069,215	10,071	8,176,628
- key management personnel	24,120		10,071	
Due to corporate customers	68,073	8,118,472	115,187	9,677,136
- associates	68,073		115,187	
Commitments and contingencies	177	6,481,093	6,297	6,323,163
- associates	-		5,975	
- key management personnel	177		322	

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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25. Transactions with related parties (continued)

Included in the interim condensed consolidated income statement for the 3 months ended 31 March 2013 and 3 months ended 31 March 2012 are the following amounts which arose due to transactions with related parties:

	3 months ended 31 March 2013 (unaudited)		3 months ended 31 March 2012 (unaudited)	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income	3,014	1,002,468	5,658	1,201,028
- parent bank	758		978	
- associates	1,943		4,230	
- key management personnel	313		450	
Fee and commission income	429	242,239	46	190,968
- parent bank	409		2	
- associates	15		34	
- key management personnel	5		10	
Interest expenses	(74,764)	(584,930)	(94,268)	(713,978)
- parent bank	(73,065)		(92,902)	
- associates	(628)		(752)	
- key management personnel	(1,071)		(614)	
Allowance for loan impairment	(6,795)	(218)	(443)	(35,167)
- associates	(6,459)		(248)	
- key management personnel	(336)		(195)	
Fee and commission expense	(14,559)	(57,765)	(8,880)	(45,687)
- parent bank	(14,559)		(8,880)	
Staff costs	(4,020)	(124,778)	(4,324)	(166,894)
- key management personnel	(4,020)		(4,324)	

During the 3 months ended 31 March 2013 and 3 months ended 31 March 2012 remuneration of key management personnel was comprised by short-term employee benefits.

26. Segment reporting

The Group discloses information to enable users of its interim condensed 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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26. 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 March 2013/ 3 months ended 31 March 2013 Total
Interest income	73,407	853,504	75,557	1,002,468
Interest expense	(163,667)	(293,578)	(127,685)	(584,930)
Allowance for impairment losses on interest bearing assets	19,403	(19,621)	-	(218)
Fee and commission income	135,245	86,210	20,784	242,239
Fee and commission expense	(19,883)	(32,161)	(5,721)	(57,765)
Net losses arising from investment securities available for sale	-	-	(625)	(625)
Net (losses)/gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation (losses)/gains	(22,293)	61,725	25,429	64,861
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains	-	-	(26,781)	(26,781)
Other provisions	-	(77)	-	(77)
Other income	-	-	16,270	16,270
Operating income/(expense)	22,212	656,002	(22,772)	655,442
Income/(expense) from other segments	231,802	(310,240)	78,438	-
Total operating income/(loss)	254,014	345,762	55,666	655,442
Operating expenses	-	-	(314,811)	(314,811)
Share of results of an associate	-	-	11,270	11,270
Profit/(loss) before loss on net monetary position	254,014	345,762	(247,875)	351,901
Loss on net monetary position due to inflation effect	335	(9,208)	(89,667)	(98,540)
Profit/(loss) before income taxes	254,349	336,554	(337,542)	253,361
Income tax expense	-	-	(64,612)	(64,612)
Net profit/(loss)	254,349	336,554	(402,154)	188,749
Segment assets	1,012,936	20,239,878	10,168,202	31,421,016
Segment liabilities	(8,215,899)	(9,191,736)	(10,976,736)	(28,384,371)
Other segment items				
Loans to customers	1,012,936	20,239,878	-	21,252,814
Customer accounts	(8,069,215)	(8,118,472)	-	(16,187,687)
Debt securities issued	(146,684)	(1,073,264)	-	(1,219,948)

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

26. Segment reporting (continued)

	Retail banking	Corporate banking	Unallocated	31 December 2012/ 3 months ended 31 March 2012 Total
Interest income	108,907	941,303	150,818	1,201,028
Interest expense	(234,380)	(354,710)	(124,888)	(713,978)
Allowance for impairment losses on interest bearing assets	2,225	(37,392)	-	(35,167)
Fee and commission income	104,431	70,570	15,967	190,968
Fee and commission expense	(13,690)	(26,227)	(5,770)	(45,687)
Net losses arising from investment securities available for sale	-	-	(1,383)	(1,383)
Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains/(losses)	2,002	38,040	(12,767)	27,275
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains	-	-	(131,478)	(131,478)
Other provisions	-	(3,286)	-	(3,286)
Other income	-	-	12,451	12,451
Operating (expense)/income	(30,505)	628,298	(97,050)	500,743
Income/(expense) from other segments	267,247	(269,985)	2,738	-
Total operating income	236,742	358,313	(94,312)	500,743
Operating expenses	-	-	(344,770)	(344,770)
Share of results of an associate	-	-	1,126	1,126
Profit/(Loss) before loss on net monetary position	236,742	358,313	(437,956)	157,099
Loss on net monetary position due to inflation effect	(937)	3,551	(98,462)	(95,848)
Profit/(loss) before income taxes	235,805	361,864	(536,418)	61,251
Income tax expense	-	-	(22,341)	(22,341)
Net profit/(loss)	235,805	361,864	(558,759)	38,910
Segment assets	1,071,396	19,987,609	12,488,090	33,547,095
Segment liabilities	(8,302,396)	(10,757,802)	(11,644,428)	(30,704,625)
Other segment items				
Loans to customers	1,071,396	19,987,609	-	21,059,005
Customer accounts	(8,176,628)	(9,677,136)	-	(17,853,764)
Debt securities issued	(125,768)	(1,080,666)	-	(1,206,433)

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.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

27. 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 interim condensed consolidated statement of financial position of the Group is presented below:

	31 March 2013 (unaudited)			31 December 2012		
	Carrying value	Fair value	Unrecognised gain / (loss)	Carrying value	Fair value	Unrecognised gain / (loss)
Cash and cash equivalents	3,269,888	3,269,888	-	4,200,710	4,200,710	-
Mandatory cash balances with the National Bank of the Republic of Belarus	181,621	181,621	-	197,603	197,603	-
Due from banks	125,251	125,251	-	189,253	189,253	-
Loans to corporate customers	19,368,585	19,281,801	(86,784)	19,090,117	19,051,747	(38,370)
Loans to individuals	988,147	925,290	(62,857)	1,024,827	980,852	(43,975)
Investments held to maturity	520,084	520,084	-	544,178	544,178	-
Other financial assets	135,785	135,785	-	148,103	148,103	-
Loans from the National Bank of the Republic of Belarus	289,808	289,808	-	308,460	308,460	-
Due to banks	9,784,215	9,784,215	-	10,356,505	10,356,505	-
Due to individuals	8,069,215	8,069,215	-	8,176,628	8,176,628	-
Due to corporate customers	8,118,472	8,117,483	(989)	9,677,136	9,676,691	(445)
Debt securities issued	1,219,948	1,219,948	-	1,206,433	1,206,433	-
Other financial liabilities	123,916	123,916	-	96,602	96,602	-
Subordinated debt	444,753	444,753	-	478,383	478,383	-

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.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

27. 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:

As at 31 March 2013 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	325	3,512	4,702,263	4,706,100
Investments available for sale	228,129	499,894	-	728,023
Equity investments available for sale	4,048	-	-	4,048
Total financial assets	232,502	503,406	4,702,263	5,438,171
Financial liabilities				
Derivative financial instruments	1,187	40,648	13,297	55,132
Total financial liabilities	1,187	40,648	13,297	55,132
As at 31 December 2012	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	109	1,629	5,906,056	5,907,794
Investments available for sale	238,982	525,878	-	764,860
Equity investments available for sale	3,763	-	-	3,763
Total financial assets	242,854	527,507	5,906,056	6,676,417
Financial liabilities				
Derivative financial instruments	2,328	30,402	15,412	48,142
Total financial liabilities	2,328	30,402	15,412	48,142

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 2013	Total gain recorded in profit or loss	Settlements	Inflation effect	As at 31 March 2013 (unaudited)
Financial assets					
Derivative financial assets	5,906,057	(129,743)	(772,527)	(301,524)	4,702,263
Total level 3 financial assets	5,906,057	(129,743)	(772,527)	(301,524)	4,702,263
Financial liabilities					
Derivative financial liabilities	(15,412)	(5,405)	6,733	787	(13,297)
Total level 3 financial liabilities	(15,412)	(5,405)	6,733	787	(13,297)

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

	31 March 2013 (unaudited)		31 December 2012	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets				
Derivative financial instruments	4,702,263	(155,471)	5,906,057	(148,355)
Financial liabilities				
Derivative financial liabilities	(13,297)	(2,093)	(15,412)	(2,652)

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

27. Fair value of financial instruments (continued)

The inputs used for estimation of fair values of foreign currency derivatives for 31 March 2013 and 31 December 2012 were the yield to maturity of the Belarusian Eurobonds in USD 6.79% and 7.44%, respectively. The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date - 33.0% (31 December 2012: 37.0%). Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 3.4% lower (31 December 2012: 3.1% lower).

28. 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 interim condensed 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's 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 March 2013 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 3,481,398 million and tier 1 capital amount was BYR 2,757,503 million with ratios of 13.2% and 10.5%, respectively.

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 3,320,853 million and tier 1 capital amount was BYR 2,586,600 million with ratios of 11.7% and 9.1%, respectively.

As at 31 March 2013 and 31 December 2012 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 11.5% and 9.6%, respectively.

29. 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 Basel 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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29. 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 March 2013 (unaudited)	AA	A	BBB	BB	B	CCC	Not rated	Total
Cash equivalents	1,327	65,643	111,286	-	1,793,271	2,712	8,077	1,982,316
Mandatory cash balances								
with the National Bank	-	-	-	-	181,621	-	-	181,621
Due from banks	-	-	-	-	94,251	31,000	-	125,251
Derivative financial assets	-	-	3,837	-	4,702,263	-	-	4,706,100
Loans to corporate customers	-	-	-	-	-	-	19,368,585	19,368,585
Loans to individuals	-	-	-	-	-	-	988,147	988,147
Investments available for sale	-	4,048	-	-	622,752	-	117,952	744,752
Investments held to maturity	-	-	-	-	507,951	-	12,133	520,084
Other financial assets	-	-	-	-	-	-	135,785	135,785
31 December 2012	AA	A	BBB	BB	B	CCC	Not rated	Total
Cash equivalents	354,889	271,929	132,840	-	1,885,439	50,515	91,631	2,787,243
Mandatory cash balances								
with the National Bank	-	-	-	-	197,603	-	-	197,603
Due from banks	-	-	-	-	189,253	-	-	189,253
Derivative financial assets	-	-	1,703	-	5,906,057	-	34	5,907,794
Loans to corporate customers	-	-	-	-	-	-	19,090,117	19,090,117
Loans to individuals	-	-	-	-	-	-	1,024,827	1,024,827
Investments available for sale	-	3,763	-	-	644,401	-	133,138	781,302
Investments held to maturity	-	-	-	-	531,388	-	12,790	544,178
Other financial assets	-	-	-	-	-	-	148,103	148,103

As at 31 March 2013 and 31 December 2012 other financial assets comprised past due but not impaired assets in the amount of 740 BYR million and 487 BYR million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 6.

As at 31 March 2013 and 31 December 2012 the Group had neither past due nor impaired financial assets in addition to the above mentioned.

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29. Risk management policies (continued)

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 March 2013 (unaudited)	Belarus	CIS Countries	OECD Countries	Non-OECD countries	Total
Financial assets					
Cash and cash equivalents	3,084,451	114,741	66,693	4,003	3,269,888
Mandatory cash balances with the National Bank	181,621	-	-	-	181,621
Due from banks	125,251	-	-	-	125,251
Derivative financial assets	4,702,263	3,837	-	-	4,706,100
Loans to corporate customers	19,368,585	-	-	-	19,368,585
Loans to individuals	988,147	-	-	-	988,147
Investments available for sale	740,704	-	4,048	-	744,752
Investments held to maturity	520,084	-	-	-	520,084
Other financial assets	135,785	-	-	-	135,785
Total financial assets	29,846,891	118,578	70,741	4,003	30,040,213
Financial liabilities					
Loans from the National Bank	289,808	-	-	-	289,808
Due to banks	1,008,086	6,855,502	1,907,566	13,061	9,784,215
Derivative financial liabilities	13,434	41,698	-	-	55,132
Due to individuals	8,069,215	-	-	-	8,069,215
Due to corporate customers	7,876,338	9,530	1,575	231,029	8,118,472
Debt securities issued	1,219,948	-	-	-	1,219,948
Other financial liabilities	123,916	-	-	-	123,916
Subordinated debt	-	444,753	-	-	444,753
Total financial liabilities	18,600,745	7,351,483	1,909,141	244,090	28,105,459
Net position	11,246,146	(7,232,905)	(1,838,400)	(240,087)	

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as of 31 March 2013)

29. Risk management policies (continued)

Geographical concentration (continued)

31 December 2012	<i>Belarus</i>	<i>CIS Countries</i>	<i>OECD Countries</i>	<i>Non-OECD countries</i>	<i>Total</i>
Financial assets					
Cash and cash equivalents	3,433,344	133,365	626,165	7,836	4,200,710
Mandatory cash balances with the National Bank	197,603	-	-	-	197,603
Due from banks	189,253	-	-	-	189,253
Derivative financial assets	5,906,091	1,703	-	-	5,907,794
Loans to corporate customers	19,090,117	-	-	-	19,090,117
Loans to individuals	1,024,827	-	-	-	1,024,827
Investments available for sale	777,539	-	3,763	-	781,302
Investments held to maturity	544,178	-	-	-	544,178
Other financial assets	148,103	-	-	-	148,103
Total financial assets	31,311,055	135,068	629,928	7,836	32,083,887
Financial liabilities					
Loans from the National Bank	308,460	-	-	-	308,460
Due to banks	479,425	7,835,461	2,020,626	20,993	10,356,505
Derivative financial liabilities	15,412	32,730	-	-	48,142
Due to individuals	8,176,628	-	-	-	8,176,628
Due to corporate customers	9,081,665	9,680	1,167	584,624	9,677,136
Debt securities issued	1,206,433	-	-	-	1,206,433
Other financial liabilities	96,602	-	-	-	96,602
Subordinated debt	-	478,383	-	-	478,383
Total financial liabilities	19,364,625	8,356,254	2,021,793	605,617	30,348,289
Net position	11,946,430	(8,221,186)	(1,391,865)	(597,781)	

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29. 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 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 March 2013 (unaudited)	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>	<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
Assets									
Cash and cash equivalents	3,269,888	-	-	-	-	-	-	-	3,269,888
Mandatory cash balances with The National Bank	47,845	48,004	44,632	37,296	97	3,747	-	-	181,621
Due from banks	-	10,073	46,152	39,237	-	28,837	-	952	125,251
Derivative financial assets	80	3,509	3,156,092	1,254,480	291,939	-	-	-	4,706,100
Loans to corporate customers	1,289,862	6,398,525	3,030,871	5,499,161	93,956	2,822,922	233,288	-	19,368,585
Loans to individuals	31,352	65,456	156,282	283,989	5,910	434,153	11,005	-	988,147
Non-current asset held for sale	-	-	18,033	-	-	-	-	-	18,033
Investments available for sale	200,277	41,697	244,753	230,682	-	10,614	-	16,729	744,752
Investments held to maturity	46	3,526	331,631	174,267	-	10,614	-	-	520,084
Investments in an associate	-	-	-	-	-	-	-	48,998	48,998
Premises and equipment	-	-	-	-	-	-	-	1,089,089	1,089,089
Intangible assets	-	-	-	-	-	-	-	83,927	83,927
Current income tax assets	-	-	1,495	-	-	-	-	-	1,495
Other assets	234,197	19,959	1,663	2,732	154	12,773	740	2,828	275,046
Total assets	5,073,547	6,590,749	7,031,604	7,521,844	392,056	3,323,660	245,033	1,242,523	31,421,016
Liabilities									
Loans from the National Bank	1,626	13,958	56,607	217,617	-	-	-	-	289,808
Due to banks	2,847,033	2,551,091	3,450,226	719,841	-	216,024	-	-	9,784,215
Derivative financial liabilities	6,845	44,663	2,437	1,187	-	-	-	-	55,132
Due to individuals	2,399,709	2,381,529	2,038,398	1,227,081	8,021	14,477	-	-	8,069,215
Due to corporate customers	3,618,662	1,693,693	1,341,587	1,168,258	4	296,268	-	-	8,118,472
Debt securities issued	13,050	41,150	427,959	737,789	-	-	-	-	1,219,948
Current income tax liabilities	-	-	45,957	-	-	-	-	-	45,957
Deferred income tax liabilities	-	-	-	-	-	-	-	109,414	109,414
Provisions for guarantees and other commitments	-	-	-	10,893	-	-	-	-	10,893
Other liabilities	190,588	22,955	3,480	2,200	30	2,711	-	14,600	236,564
Subordinated debt	353	-	-	-	-	444,400	-	-	444,753
Total liabilities	9,077,866	6,749,039	7,366,651	4,084,866	8,055	973,880	-	124,014	28,384,371
Net liquidity surplus/(gap)	(4,004,319)	(158,290)	(335,047)	3,436,978	384,001	2,349,780	245,033	1,118,509	3,036,645
Cumulative liquidity gap as at 31 March 2013	(4,004,319)	(4,162,609)	(4,497,656)	(1,060,678)	(676,677)	1,673,103	1,918,136	3,036,645	

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29. Risk management policies (continued)

Liquidity risk (continued)

31 December 2012	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>	<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
Assets									
Cash and cash equivalents	4,200,710	-	-	-	-	-	-	-	4,200,710
Mandatory cash balances with									
The National Bank	64,134	43,838	44,527	41,048	306	3,750	-	-	197,603
Due from banks	86,190	9,599	16,733	42,719	-	34,012	-	-	189,253
Derivative financial assets	102	815,646	2,900,395	1,440,480	751,171	-	-	-	5,907,794
Loans to corporate customers	1,134,052	5,995,087	3,394,053	5,200,373	159,609	3,034,544	172,399	-	19,090,117
Loans to individuals	32,862	72,944	143,320	309,380	6,028	449,071	11,222	-	1,024,827
Non-current asset held for sale	-	-	16,478	-	-	-	-	-	16,478
Investments available for sale	2,043	210,016	227,862	308,659	-	16,279	-	16,443	781,302
Investments held to maturity	-	5,569	346,289	181,135	-	11,185	-	-	544,178
Investments in an associate	-	-	-	-	-	-	-	39,759	39,759
Premises and equipment	-	-	-	-	-	-	-	1,081,048	1,081,048
Intangible assets	-	-	-	-	-	-	-	83,578	83,578
Current income tax assets	-	120,596	-	-	-	-	-	-	120,596
Other assets	221,302	23,860	1,375	858	-	12,248	487	9,722	269,852
Total assets	5,741,395	7,297,155	7,091,032	7,524,652	917,114	3,561,089	184,108	1,230,550	33,547,095
Liabilities									
Loans from the National Bank	654	13,965	66,942	226,899	-	-	-	-	308,460
Due to banks	2,816,452	2,695,476	3,281,990	1,321,366	19,554	221,667	-	-	10,356,505
Derivative financial liabilities	7,155	35,171	3,488	2,328	-	-	-	-	48,142
Due to individuals	1,803,167	2,434,152	2,304,588	1,595,093	26,327	13,301	-	-	8,176,628
Due to corporate customers	5,351,776	1,148,842	1,628,326	1,238,132	1	310,059	-	-	9,677,136
Debt securities issued	7,548	416,097	1,446	781,342	-	-	-	-	1,206,433
Current income tax liabilities	-	127,124	-	-	-	-	-	-	127,124
Deferred income tax liabilities	-	-	-	-	-	-	-	91,706	91,706
Provisions for guarantees and other commitments	1,036	6,337	1,301	2,724	-	-	-	-	11,398
Other liabilities	162,805	49,823	4,714	2,077	297	2,966	-	28	222,710
Subordinated debt	379	-	-	-	-	478,004	-	-	478,383
Total liabilities	10,150,972	6,926,987	7,292,795	5,169,961	46,179	1,025,997	-	91,734	30,704,625
Net liquidity surplus/(gap)	(4,409,577)	370,168	(201,763)	2,354,691	870,935	2,535,092	184,108	1,138,816	2,842,470
Cumulative liquidity gap as at 31 December 2012	(4,409,577)	(4,039,409)	(4,241,172)	(1,886,481)	(1,015,546)	1,519,546	1,703,654	2,842,470	

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29. 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 as at 31 March 2013 and 31 December 2012 are estimated in the amount of 2,005,715 BYR million and 2,768,525 BYR million, respectively. As at 31 March 2013 and 31 December 2012 included in due to banks were funds attracted from parent bank in the amount of 6,229,439 BYR million and 7,511,021 BYR 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 March 2013 and 31 December 2012 is as follows:

31 March 2013 (unaudited)	<i>Demand and less than 1 month</i>						<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>				
Accounts of individuals analyzed based on expected withdrawal dates	1,732,459	2,381,529	2,038,398	1,227,081	8,021	14,477	-	667,250	8,069,215
Corporate accounts analyzed based on expected withdrawal dates	2,280,197	1,693,693	1,341,587	1,168,258	4	296,268	-	1,338,465	8,118,472
Funds attracted from other banks analyzed	855,939	1,196,305	576,843	709,665	-	216,024	-	6,229,439	9,784,215
Liquidity gap (based on expected withdrawal dates for customers accounts)	(7,510)	1,196,496	2,538,336	3,447,154	384,001	2,349,780	245,033	(7,116,645)	
31 December 2012	<i>Demand and less than 1 month</i>						<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>				
Accounts of individuals analyzed based on expected withdrawal dates	1,170,034	2,434,151	2,304,589	1,595,093	26,327	13,301	-	633,133	8,176,628
Corporate accounts analyzed based on expected withdrawal dates	3,216,384	1,148,842	1,628,326	1,238,132	1	310,059	-	2,135,392	9,677,136
Funds attracted from other banks analyzed	653,042	689,264	483,007	778,950	19,554	221,667	-	7,511,021	10,356,505
Liquidity gap (based on expected withdrawal dates for customers accounts)	522,358	2,376,381	2,597,219	2,897,107	870,935	2,535,092	184,108	(9,140,730)	

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29. 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 as at 31 March 2013 and 31 December 2012, 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 March 2013		As at 31 December 2012	
	Interest rate +15%	Interest rate -15%	Interest rate +15%	Interest rate -15%
BYR				
Impact on profit before taxes:				
Assets:				
Due from banks	15,157	(15,157)	16,047	(16,047)
Loans to customers	972,057	(972,057)	1,004,350	(1,004,350)
Investments available for sale	45,282	(45,282)	15,573	(15,573)
Investments held to maturity	14,256	(14,256)	14,844	(14,844)
Liabilities:				
Due to banks	(58,378)	58,378	(15,274)	15,274
Customer accounts	(804,732)	804,732	(804,522)	804,522
Debt securities issued	(62,098)	62,098	(56,531)	56,531
Net impact on profit before taxes	121,544	(121,544)	174,487	(174,487)
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	(12,611)	12,611	(22,566)	22,566
Net impact on comprehensive income	108,933	(108,933)	151,921	(151,921)

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29. Risk management policies (continued)

Interest rate risk (continued)

	As at 31 March 2013 (unaudited)		As at 31 December 2012	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
USD				
Impact on profit before taxes:				
Assets:				
Due from banks	-	-	3,895	(3,895)
Loans to customers	294,692	(294,692)	267,016	(267,016)
Investments available for sale	1,857	(1,857)	2,547	(2,547)
Investments held to maturity	73	(73)	195	(195)
Liabilities:				
Loans from the National Bank	(14,294)	14,294	(15,107)	15,107
Due to banks	(82,187)	82,187	(71,209)	71,209
Customer accounts	(138,345)	138,345	(157,023)	157,023
Debt securities issued	(1,211)	1,211	(4,953)	4,953
Net impact on profit before taxes	60,585	(60,585)	25,361	(25,361)
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	60,585	(60,585)	25,361	(25,361)

	As at 31 March 2013 (unaudited)		As at 31 December 2012	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
EUR				
Impact on profit before taxes:				
Assets:				
Loans to customers	222,356	(222,356)	215,982	(215,982)
Investments available for sale	2	(2)	2	(2)
Liabilities:				
Due to banks	(127,692)	127,692	(165,540)	165,540
Customer accounts	(80,634)	80,634	(96,278)	96,278
Debt securities issued	(1,477)	1,477	(6,170)	6,170
Net impact on profit before taxes	12,555	(12,555)	(52,004)	52,004
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	12,555	(12,555)	(52,004)	52,004

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29. Risk management policies (continued)

Interest rate risk (continued)

	As at 31 March 2013 <i>(unaudited)</i>		As at 31 December 2012	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
RUR				
Impact on profit before taxes:				
Assets:				
Loans to customers	52,700	(52,700)	48,714	(48,714)
Investments available for sale	-	-	-	-
Liabilities:				
Due to banks	(41,809)	41,809	(31,639)	31,639
Customer accounts	(32,100)	32,100	(41,206)	41,206
Debt securities issued	(1,669)	1,669	(26)	26
Net impact on profit before taxes	(22,878)	22,878	(24,157)	24,157
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	(22,878)	22,878	(24,157)	24,157

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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29. Risk management policies (continued)

Currency risk (continued)

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

31 March 2013 (unaudited)	BYR	USD 1USD=BYR 8,670	EUR 1EUR=BYR 11,110	RUR 1RUR=BYR 279	Precious metals	Other currencies	Total
Financial assets							
Cash and cash equivalents	2,522,281	346,917	197,447	158,843	30,396	14,004	3,269,888
Mandatory cash balances with the National Bank of the Republic of Belarus	181,621	-	-	-	-	-	181,621
Due from banks	124,299	915	37	-	-	-	125,251
Derivative financial assets	4,706,100	-	-	-	-	-	4,706,100
Loans to corporate customers	5,763,299	6,591,706	4,883,406	2,130,174	-	-	19,368,585
Loans to individuals	893,670	93,406	1,071	-	-	-	988,147
Investments available for sale	470,057	269,087	5,608	-	-	-	744,752
Investments held to maturity	370,422	149,662	-	-	-	-	520,084
Other financial assets	123,987	8,285	1,839	1,674	-	-	135,785
Total financial assets	15,155,736	7,459,978	5,089,408	2,290,691	30,396	14,004	30,040,213
Financial liabilities							
Loans from the National Bank	-	289,808	-	-	-	-	289,808
Due to banks	406,110	1,850,797	3,308,918	877,075	3,341,303	12	9,784,215
Derivative financial Liabilities	55,132	-	-	-	-	-	55,132
Due to individuals	1,753,921	4,554,735	1,266,465	245,108	248,986	-	8,069,215
Due to corporate Customers	3,784,206	1,028,819	2,193,579	997,296	102,574	11,998	8,118,472
Debt securities issued	425,857	306,294	276,261	211,536	-	-	1,219,948
Other financial liabilities	36,518	32,746	49,361	5,102	-	189	123,916
Subordinated debt	-	-	444,753	-	-	-	444,753
Total financial liabilities	6,461,744	8,063,199	7,539,337	2,336,117	3,692,863	12,199	28,105,459
Currency position	8,693,992	(603,221)	(2,449,929)	(45,426)	(3,662,467)	1,805	

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29. 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 March 2013 (unaudited)	BYR	USD 1USD=BYR 8,670	EUR 1EUR=BYR 11,110	RUR 1RUR=BYR 279	Precious metals	Other curren- cies	Total
Claims on derivative financial instruments	-	1,905,547	3,845,830	94,777	3,716,918	-	9,563,072
Obligations on derivative financial instruments	(2,580,765)	(1,170,227)	(1,308,741)	(63,495)	(51,270)	-	(5,174,498)
Net derivative financial instruments	(2,580,765)	735,320	2,537,089	31,282	3,665,648	-	4,388,574
Total currency position less fair value of derivative	1,462,259	132,099	87,160	(14,144)	3,181	1,805	

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29. 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 currencies	Total
Financial assets							
Cash and cash equivalents	2,347,019	787,109	745,122	280,864	25,848	14,748	4,200,710
Mandatory cash balances with the National Bank of the Republic of Belarus	197,603	-	-	-	-	-	197,603
Due from banks	106,981	82,232	40	-	-	-	189,253
Derivative financial assets	5,907,794	-	-	-	-	-	5,907,794
Loans to corporate customers	6,005,773	6,147,549	4,803,167	2,133,628	-	-	19,090,117
Loans to individuals	916,914	106,682	1,231	-	-	-	1,024,827
Investments available for sale	484,272	290,995	6,035	-	-	-	781,302
Investments held to maturity	384,905	159,273	-	-	-	-	544,178
Other financial assets	142,510	1,365	1,432	2,796	-	-	148,103
Total financial assets	16,493,771	7,575,205	5,557,027	2,417,288	25,848	14,748	32,083,887
Financial liabilities							
Loans from the National Bank	-	308,460	-	-	-	-	308,460
Due to banks	106,366	1,633,006	4,342,476	665,121	3,609,481	55	10,356,505
Derivative financial liabilities	48,142	-	-	-	-	-	48,142
Due to individuals	1,335,418	4,906,089	1,399,054	274,523	261,541	3	8,176,628
Due to corporate customers	4,208,638	1,527,283	2,555,977	1,263,793	108,456	12,989	9,677,136
Debt securities issued	381,180	301,343	334,381	189,529	-	-	1,206,433
Other financial liabilities	43,170	24,950	22,083	6,308	-	91	96,602
Subordinated debt	-	-	478,383	-	-	-	478,383
Total financial liabilities	6,122,914	8,701,131	9,132,354	2,399,274	3,979,478	13,138	30,348,289
Currency position	10,370,857	(1,125,926)	(3,575,327)	18,014	(3,953,630)	1,610	1,735,598

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2013)

29. 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	EUR	RUR	Precious metals	Other currencies	Total
		1USD=BYR 8,570	1EUR=BYR 11,340	1RUR=BYR 282			
Claims on derivative financial instruments	6	1,271,774	4,158,744	71,492	4,014,595	-	9,516,611
Obligations on derivative financial instruments	(3,310,425)	(27,365)	(493,027)	(70,284)	(55,386)	-	(3,956,487)
Net derivative financial instruments	(3,310,419)	1,244,409	3,665,717	1,208	3,959,209	-	5,560,124
Total currency position less fair value of derivative	1,200,786	118,483	90,390	19,222	5,579	1,610	

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. As at 31 March 2013 and 31 December 2012 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 March 2013 (unaudited)		As at 31 December 2012	
	BYR/USD	BYR/USD	BYR/USD	BYR/USD
	+30%	-10%	+30%	-10%
Impact on profit or loss	39,630	(13,210)	35,546	(11,849)
Impact on comprehensive income	39,630	(13,210)	35,546	(11,849)
	As at 31 March 2013 (unaudited)		As at 31 December 2012	
	BYR/EUR	BYR/EUR	BYR/EUR	BYR/EUR
	+30%	-10%	+30%	-10%
Impact on profit or loss	26,148	(8,716)	27,116	(9,038)
Impact on comprehensive income	26,148	(8,716)	27,116	(9,038)
	As at 31 March 2013 (unaudited)		As at 31 December 2012	
	BYR/RUR	BYR/RUR	BYR/RUR	BYR/RUR
	+30%	-10%	+30%	-10%
Impact on profit or loss	(4,243)	1,414	5,766	(1,922)
Impact on comprehensive income	(4,243)	1,414	5,766	(1,922)

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29. 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 Group 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.

30. Subsequent events

The National bank has decreased the prime refinancing rate in BYR to 25% since 15 May 2013.