

Translation from original in Russian

BPS-Sberbank
Interim Condensed
Consolidated Financial Statements

For the 6 Months Ended 30 June 2012

BPS-SBERBANK

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Translation from original in Russian

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 and dependent parties (together the "Group") as at 30 June 2012, comprising of the interim condensed consolidated statement of financial position as at 30 June 2012 and the related interim condensed consolidated income statements and statements of comprehensive income for the three months and the six months then ended, interim condensed consolidated statements of changes in equity and of cash flows for the six 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

In course of 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.



20 august 2012

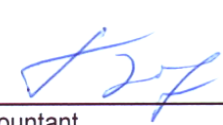
BPS-SBERBANK

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2012**
*(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as at 30 June 2012)*

	Notes	30 June 2012 (unaudited)	31 December 2011
ASSETS:			
Cash and cash equivalents	3, 26	2,971,950	4,945,402
Mandatory cash balances with the National Bank of the Republic of Belarus		137,497	81,899
Due from banks	4, 26	82,612	149,891
Derivative financial assets	5	4,793,257	5,753,502
Loans to corporate customers	6, 26	15,359,716	13,254,529
Loans to individuals	6, 26	721,861	1,141,257
Non-current assets held for sale	7	15,230	18,177
Investments available for sale	8	1,252,794	640,326
Investments held to maturity	9	37,078	39,877
Investments in associates	26	23,738	19,884
Premises and equipment	10	978,079	944,599
Intangible assets	10	53,756	44,631
Current income tax assets		73,252	15,680
Other assets	11	185,523	189,485
Total assets		26,686,343	27,239,139
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans from the National Bank of the Republic of Belarus	12	292,819	333,777
Due to banks	13, 26	7,556,309	9,502,309
Derivative financial liabilities	5	6,802	-
Due to individuals	14, 26	6,812,102	6,028,052
Due to corporate customers	14, 26	7,651,661	6,974,571
Debt securities issued	15	1,300,506	1,290,049
Current income tax liabilities		72,650	86,176
Deferred income tax liabilities		99,113	133,526
Provisions for guarantees and other commitments	19	9,618	5,799
Other liabilities	16	119,307	130,341
Subordinated debt	26	418,966	477,248
Total liabilities		24,339,853	24,961,848
EQUITY:			
Share capital	17	1,967,506	1,967,506
Revaluation reserve for office premises		314,320	331,694
Deficit of investments available for sale fair value reserve		(22,242)	(74,449)
Retained earnings		86,627	52,354
Total equity attributable to shareholders of the Bank		2,346,211	2,277,105
Non-controlling interest		279	186
Total equity		2,346,490	2,277,291
Total liabilities and equity		26,686,343	27,239,139

Signed and authorized for release on behalf of the Management Board


 Chairman of the Board
 Vasili S. Matyushevski
 20 August 2012
 Minsk



 Chief Accountant
 Anatoly V. Boreiko
 20 August 2012
 Minsk

BPS-SBERBANK


**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE 6 MONTHS ENDED 30 JUNE 2012**
*(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as at 30 June 2012)*

	Notes	3 months ended 30 June 2012 (unaudited)	3 months ended 30 June 2011 (unaudited)	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
Interest income	18, 26	845,950	647,461	1,880,136	1,178,807
Interest expense	18, 26	(504,763)	(329,146)	(1,119,558)	(579,304)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		341,187	318,315	760,578	599,503
(Provision)/reverse of provision for impairment losses on interest bearing assets	19, 26	25,769	(249,126)	(4,513)	(279,802)
NET INTEREST INCOME		366,956	69,189	756,065	319,701
Fee and commission income	20, 26	188,475	182,346	352,914	347,761
Fee and commission expense	20, 26	(45,513)	(54,736)	(84,853)	(102,278)
Net (losses)/gains arising from investment securities available for sale		(193)	40	(1,384)	289
Net (losses)/gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	21	(111,585)	332,315	(88,099)	160,694
Net (losses)/gains arising from operations with precious metals, precious metals derivatives and precious metals translations gains	21	(45,859)	13,385	(159,073)	(8,745)
Net gains from disposal of subsidiary	22	-	-	-	26,935
Other provisions	19	(1,537)	(49,089)	(4,367)	(43,197)
Other income	23	7,066	5,882	17,787	11,756
NET NON-INTEREST (EXPENSES)/INCOME		(9,146)	430,143	32,925	393,215
OPERATING INCOME		357,810	499,332	788,990	712,916
OPERATING EXPENSES	24	(263,767)	(206,925)	(560,643)	(421,451)
Share of results of an associate		4,583	13,597	5,553	15,842
PROFIT BEFORE LOSS ON NET MONETARY POSITION		98,626	306,004	233,900	307,307
Loss on net monetary position due to inflation effect		(71,127)	(422,325)	(153,659)	(483,601)
PROFIT/(LOSS) BEFORE INCOME TAXES		27,499	(116,321)	80,241	(176,294)
Income tax expense		(19,870)	(85,873)	(39,107)	(58,492)
NET PROFIT/(LOSS)		7,629	(202,194)	41,134	(234,786)
Attributable to:					
Shareholders of the parent Bank		7,581	(202,248)	41,041	(234,840)
Non-controlling interest		48	54	93	54
		7,629	(202,194)	41,134	(234,786)

Signed and authorized for release on behalf of the Management Board



 Chairman of the Board
 Vasili S. Matyushevski
 20 August 2012
 Minsk



 Chief Accountant
 Anatoly V. Boreiko
 20 August 2012
 Minsk

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 3 MONTHS ENDED 30 JUNE 2012***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as at 30 June 2012)*

Notes	3 months ended 30 June 2012 (unaudited)	3 months ended 30 June 2011 (unaudited)	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
NET PROFIT/(LOSS)	7,629	(202,194)	41,134	(234,786)
OTHER COMPREHENSIVE INCOME				
Net change in income tax relating to office premises remeasurement	(4,226)	(37,441)	(13,702)	(35,258)
Net change in fair value of investments available for sale	18,393	(32,714)	50,823	(61,164)
Reclassification adjustments for gains/(losses) included in profit or loss from comprehensive income on disposal of investments available for sale	193	366	1,384	117
OTHER COMPREHENSIVE INCOME/(LOSS)	14,360	(69,789)	38,505	(96,305)
TOTAL COMPREHENSIVE INCOME/(LOSS)	21,989	(271,983)	79,639	(331,091)
Attributable to:				
Shareholders of the parent	21,941	(272,037)	79,546	(331,145)
Minority interest	48	54	93	54
TOTAL COMPREHENSIVE INCOME/(LOSS)	21,989	(271,983)	79,639	(331,091)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS ENDED 30 JUNE 2012***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as at 30 June 2012)*

	Notes	Share capital	Revaluation reserve for office premises	Dificit of investments available for sale fair value reserve	Retained earnings	Total equity attributable to shareholders of the Bank	Non-controlling interest	Total equity
31 December 2010		1,967,506	364,025	2,888	147,885	2,482,304	198	2,482,502
Total comprehensive loss for the 6 months ended 30 June 2011		-	(35,258)	(61,047)	(234,840)	(331,145)	54	(331,091)
Amortisation of revaluation reserve for premises, net of tax		-	(3,257)	-	3,257	-	-	-
Dividends paid	17	-	-	-	(7,290)	(7,290)	-	(7,290)
30 June 2011 (unaudited)		<u>1,967,506</u>	<u>325,510</u>	<u>(58,159)</u>	<u>(90,988)</u>	<u>2,143,869</u>	<u>252</u>	<u>2,144,121</u>
31 December 2011		1,967,506	331,694	(74,449)	52,354	2,277,105	186	2,277,291
Total comprehensive income for the 6 months ended 30 June 2012		-	(13,702)	52,207	41,041	79,546	93	79,639
Amortisation of revaluation reserve for premises, net of tax		-	(3,672)	-	3,672	-	-	-
Dividends paid	17	-	-	-	(10,440)	(10,440)	-	(10,440)
30 June 2012 (unaudited)		<u>1,967,506</u>	<u>314,320</u>	<u>(22,242)</u>	<u>86,627</u>	<u>2,346,211</u>	<u>279</u>	<u>2,346,490</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 JUNE 2012**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as at 30 June 2012)

	Notes	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest income		1,872,897	1,082,507
Interest expense		(1,133,936)	(537,977)
Fee and commission income		352,914	347,761
Fee and commission expense		(84,853)	(102,278)
Net gain on foreign exchange operations		117,064	64,104
Net gain on derivative financial instruments		128,889	131,695
Net gain on disposal of investments available for sale		(1,384)	289
Net gain on precious metals		3,894	12,250
Other income		17,787	11,289
Operating expenses		(517,742)	(381,315)
Income taxes paid		(125,349)	(27,576)
Cash flows from operating activities before changes in operating assets and liabilities		630,181	600,749
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of the Republic of Belarus		(63,333)	(28,128)
Due from banks		49,700	201,321
Loans to corporate customers		(3,461,611)	(1,154,439)
Loans to individuals		301,362	(219,230)
Other assets		(15,042)	34,132
Increase/(decrease) in operating liabilities:			
Loans from the National Bank of the Republic of Belarus		(12,088)	(227)
Due to banks		(1,000,209)	1,868,850
Due to individuals		1,412,032	(495,985)
Due to corporate customers		1,391,392	238,623
Debt securities issued		154,476	(189,945)
Other liabilities		(7,943)	(39,258)
Net cash (outflow)/inflow from operating activities		(621,083)	816,463

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6 MONTHS ENDED 30 JUNE 2012 (CONTINUED)**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as at 30 June 2012)

	Notes	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of premises, equipment and intangible assets		(67,284)	(39,032)
Proceeds on sale of premises and equipment		415	2,416
Proceeds on sale of non-current assets held for sale		2,947	541
Purchase of investments available for sale		(675,247)	(118,988)
Proceeds on repayment of investments available for sale		-	22,163
Purchase of investments held to maturity		-	(5,669)
Proceeds on repayment of investments held to maturity		-	17,576
Proceeds on disposal of subsidiary		-	5,106
Net cash outflow from investing activities		(739,169)	(115,887)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(10,352)	(7,065)
Net cash outflow from financing activities		(10,352)	(7,065)
Effect of changes in foreign exchange rates on cash and cash equivalents		1,877	268,203
Inflation effect on monetary assets and liabilities		(604,725)	(930,490)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,370,604)	693,511
CASH AND CASH EQUIVALENTS, beginning of the period	3	4,945,402	2,894,709
CASH AND CASH EQUIVALENTS, end of the period	3	2,971,950	2,925,933

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 JUNE 2012**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as at 30 June 2012)

1. ORGANISATION

Open Joint-Stock Company "BPS-Sberbank" (previous name – "BPS-Bank"), or BPS-Sberbank (the "Bank"), was established from the Belarusian branch of Promstroibank USSR and registered with the National Bank of the Republic of Belarus (the "National Bank") as a closed joint-stock company on 28 December 1991. On 17 February 1993 the Bank was reorganized into an open joint stock company and accordingly registered by the National Bank. The Bank conducts its business under Common License for performing banking operations # 4 issued on 8 June 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 30 June 2012 the Bank had 6 regional establishments and 36 outlets, as well as representative office in the Republic of Poland, Warsaw.

The average number of employees of the Bank during 6 months, ended 30 June 2012, and 6 months, ended 30 June 2011, was 4,524 and 4,359 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
		30 June 2012	31 December 2011	
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

At 30 June 2012 and 31 December 2011 the following shareholders owned the issued shares of the Bank:

Shareholder	30 June 2012, %	31 December 2011, %
Sberbank	97.91	97.91
Other	2.09	2.09
Total	100.00	100.00

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

These interim condensed consolidated financial statements were authorized for issue by the Management Board on 20 August 2012.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 JUNE 2012**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as at 30 June 2012)

2. BASIS OF PRESENTATION
General

These interim condensed consolidated statements of JSC "BPS-Sberbank" (the "Bank") and its subsidiaries ("the Group") as at 30 June 2012 were prepared in accordance with the requirements of International Financial Reporting 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 2011.

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:

	30 June 2012	31 December 2011
BYR/USD	8,320.00	8,350.00
BYR/EUR	10,470.00	10,800.00
BYR/RUR	253.50	261.00

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 historic 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 2011, except for the changes introduced due to implementation of new and/or revised standards and interpretations as of 1 January 2012, noted below:

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

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 six year period and respective conversion factors after Belarus previously ceased to be considered hyperinflationary on 1 January 2006 were as follows:

Year	Index, %	Conversion factors
2006	106.6	354.1
2007	112.1	315.9
2008	113.3	278.8
2009	110.1	253.2
2010	109.9	230.4
6 months 2011	136.2	169.2
2011	208.7	110.4
6 months 2012	110.4	100.0

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 30 June 2012. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 30 June 2012) 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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 JUNE 2012**

*(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as at 30 June 2012)*

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 6 months ended 30 June 2011 have also been restated so that they are presented in terms of the purchasing power of the Belarusian Rouble as of 30 June 2012. Income and expense items of the interim condensed consolidated income statement for the 6 months, ended 30 June 2012, and 6 months, ended 30 June 2011, 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 Group has adopted the following amended IFRS and new IFRIC Interpretations during 6 months 2012. The principal effects of these changes are as follows:

Amendments to IFRS 7 “Financial Instruments: Disclosures”

The Amendments were issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group’s financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity’s continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group’s financial position or performance.

Amendments to IAS 12 “Income Taxes” – Deferred tax: Recovery of underlying assets

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Group now evaluates the impact of the adoption of these amendments.

Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These amendments to IFRS 1, effective for annual periods beginning on or after 1 July 2011, introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. The Group expects that these amendments will have no impact on the Group’s financial position.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 JUNE 2012**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as at 30 June 2012)

3. CASH AND CASH EQUIVALENTS

	30 June 2012 (unaudited)	31 December 2011
Cash	1,213,736	1,035,285
Current accounts with the National Bank	1,061,965	2,444,100
Correspondent accounts and placements with other banks with original maturities up to 30 days:		
- Belarus	391,145	525,852
- Other countries	171,283	790,664
Reverse-repo agreements with original maturities up to 30 days	133,821	149,501
Total cash and cash equivalents	2,971,950	4,945,402

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

	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Belarus	-	333,638	57,507	391,145
- Other countries	167,099	3,996	188	171,283
Reverse-repo agreements with original maturities up to 30 days	-	133,821	-	133,821
Total	167,099	471,455	57,695	696,249

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

	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Belarus	-	525,589	263	525,852
- Other countries	777,400	1,718	11,546	790,664
Reverse-repo agreements with original maturities up to 30 days	-	149,501	-	149,501
Total	777,400	676,808	11,809	1,466,017

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

As at 30 June 2012 and 31 December 2011 all cash and cash equivalents are neither past due nor impaired.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 6 MONTHS ENDED 30 JUNE 2012**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as at 30 June 2012)

4. DUE FROM BANKS

Due from banks comprise:

	30 June 2012 (unaudited)	31 December 2011
Time deposits and loans to banks:		
- Belarus	82,612	149,891
Total due from banks	82,612	149,891

Time deposits and loans to banks and reverse-repo agreements with original maturities over 30 days mostly represent balances with the largest and well-known foreign banks, top rated Belarus banks.

Analysis by credit quality of the balances with counterparty banks and financial companies as at 30 June 2012 made on the basis of ratings of international rating agencies is as follows:

	Speculative rating	Not rated	Total
Time deposits and loans to banks:			
- Belarus	57,486	25,126	82,612
Total	57,486	25,126	82,612

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

	Speculative rating	Not rated	Total
Time deposits and loans to banks:			
- Belarus	122,043	27,848	149,891
Total	122,043	27,848	149,891

As at 30 June 2012 and 31 December 2011 the Group had no amounts above 10% of the Group's equity concentrated in one bank.

As at 30 June 2012 and 31 December 2011 included in due from banks were fixed amounts of BYR 913 million and BYR 1,013 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 30 June 2012 and 31 December 2011 included in due from banks are long-term loans issued to JSC "Belarusbank" and JSC "Belagroprombank" under the Government's program on financing for acquisition of agricultural equipment for the total amount of BYR 40,702 million and BYR 91,968 million, respectively, with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National Bank.

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5. DERIVATIVE FINANCIAL INSTRUMENTS

As at 30 June 2012 and 31 December 2011 derivative financial instruments comprise:

Derivative type	Nominal amount (in units of currency/ grams of gold to be purchased)	Fair Value as at 30 June 2012 (unaudited)	
		Asset	Liability
EUR/BYR foreign currency swap	EUR 340,709,341	2,150,748	-
XAU/BYR precious metals swap	XAU 7,515,014	2,118,280	-
USD/BYR foreign currency swap	USD 106,725,788	524,053	-
RUR/EUR foreign currency swap	RUR 231,061,049	-	4,404
XPT/EUR precious metals swap	XPT 97,976	-	2,226
USD/EUR foreign currency swap	USD 1,236,500	-	172
EUR/USD foreign currency swap	EUR 1,000,000	176	-
Total derivative financial instruments		4,793,257	6,802

Derivative type	Nominal amount (in units of currency/ grams of gold to be purchased)	Fair Value as at 31 December 2011	
		Asset	Liability
EUR/BYR foreign currency swap	EUR 340,709,341	2,597,854	-
XAU/BYR precious metals swap	XAU 7,515,014	2,458,862	-
USD/BYR foreign currency swap	USD 122,862,517	696,786	-
Total derivative financial instruments		5,753,502	-

As at 30 June 2012 and 31 December 2011 derivative financial instruments mainly comprised swap contracts with the National Bank to purchase Belarusian Roubles for foreign currency and precious metals.

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6. LOANS TO CUSTOMERS

The tables below show credit quality of the Group's loan portfolio by loan classes as at 30 June 2012 and 31 December 2011.

For the purposes of these condensed interim 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.

30 June 2012 (unaudited)	Not past due loans	Past due loans	Total
Commercial loans to legal entities	8,890,689	192,497	9,083,186
Specialized loans to legal entities	6,043,460	788,206	6,831,666
Consumer and other loans to individuals	340,197	8,132	348,329
Mortgage loans to individuals	390,754	6,438	397,192
Car loans to individuals	12,848	664	13,512
Total loans to customers before allowance for loan impairment	15,677,948	995,937	16,673,885
Less: Allowance for loan impairment	(486,338)	(105,970)	(592,308)
Total loans to customers net of allowance for loan impairment	15,191,610	889,967	16,081,577
	Not past due loans	Past due loans	Total
31 December 2011			
Commercial loans to legal entities	7,498,103	249,126	7,747,229
Specialized loans to legal entities	5,535,309	576,464	6,111,773
Consumer and other loans to individuals	645,021	11,489	656,510
Mortgage loans to individuals	496,132	11,990	508,122
Car loans to individuals	21,607	983	22,590
Total loans to customers before allowance for loan impairment	14,196,172	850,052	15,046,224
Less: Allowance for loan impairment	(519,588)	(130,850)	(650,438)
Total loans to customers net of allowance for loan impairment	13,676,584	719,202	14,395,786

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

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

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

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

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

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6. LOANS TO CUSTOMERS (CONTINUED)

The table below shows the analysis of loans and provisions for loan impairment as at 30 June 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	8,647,711	(178,259)	8,469,452	2.1%
Loans up to 30 days overdue	16,287	(352)	15,935	2.2%
Loans 31 to 60 days overdue	26,064	(538)	25,526	2.1%
Loans 61 to 90 days overdue	9,657	(233)	9,424	2.4%
Loans 91 up to 180 days overdue	51,032	(1,169)	49,863	2.3%
Loans over 180 days overdue	26,510	(4,877)	21,633	18.4%
Total collectively assessed loans	8,777,261	(185,428)	8,591,833	2.1%
<i>Individually impaired</i>				
Not past due	242,978	(17,388)	225,590	7.2%
Loans up to 30 days overdue	12,187	(783)	11,404	6.4%
Loans 31 to 60 days overdue	-	-	-	0.0%
Loans 61 to 90 days overdue	-	-	-	0.0%
Loans 91 up to 180 days overdue	1,724	(209)	1,515	12.1%
Loans over 180 days overdue	49,036	(38,838)	10,198	79.2%
Total individually impaired loans	305,925	(57,218)	248,707	18.7%
Total commercial loans to legal entities	9,083,186	(242,646)	8,840,540	2.7%
Specialized loans to legal entities				
<i>Collectively assessed</i>				
Not past due	4,987,035	(99,507)	4,887,528	2.0%
Loans up to 30 days overdue	50,700	(1,161)	49,539	2.3%
Loans 31 to 60 days overdue	43,799	(954)	42,845	2.2%
Loans 61 to 90 days overdue	32,410	(673)	31,737	2.1%
Loans 91 up to 180 days overdue	40,202	(880)	39,322	2.2%
Loans over 180 days overdue	9,315	(1,962)	7,353	21.1%
Total collectively assessed loans	5,163,461	(105,137)	5,058,324	2.0%
<i>Individually impaired</i>				
Not past due	1,056,425	(156,459)	899,966	14.8%
Loans up to 30 days overdue	316,307	(25,361)	290,946	8.0%
Loans 31 to 60 days overdue	-	-	-	0.0%
Loans 61 to 90 days overdue	7,304	(70)	7,234	1.0%
Loans 91 up to 180 days overdue	211,003	(13,194)	197,809	6.3%
Loans over 180 days overdue	77,166	(12,269)	64,897	15.9%
Total individually impaired loans	1,668,205	(207,353)	1,460,852	12.4%
Total specialized loans to legal entities	6,831,666	(312,490)	6,519,176	4.6%
Total loans to legal entities	15,914,852	(555,136)	15,359,716	3.5%

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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	340,197	(18,266)	321,931	5.4%
Loans up to 30 days overdue	4,324	(326)	3,998	7.5%
Loans 31 to 60 days overdue	1,266	(191)	1,075	15.1%
Loans 61 to 90 days overdue	855	(168)	687	19.6%
Loans 91 up to 180 days overdue	1,150	(710)	440	61.7%
Loans over 180 days overdue	537	(537)	-	100.0%
Total consumer and other loans to individuals	348,329	(20,198)	328,131	5.8%
Mortgage loans to individuals				
<i>Collectively assessed</i>				
Not past due	390,754	(16,055)	374,699	4.1%
Loans up to 30 days overdue	3,560	(155)	3,405	4.4%
Loans 31 to 60 days overdue	1,803	(78)	1,725	4.3%
Loans 61 to 90 days overdue	154	(10)	144	6.5%
Loans 91 up to 180 days overdue	519	(157)	362	30.3%
Loans over 180 days overdue	402	(17)	385	0.0%
Total mortgage loans to individuals	397,192	(16,472)	380,720	4.1%
Car loans to individuals				
<i>Collectively assessed</i>				
Not past due	12,848	(404)	12,444	3.1%
Loans up to 30 days overdue	276	(15)	261	5.4%
Loans 31 to 60 days overdue	148	(9)	139	6.1%
Loans 61 to 90 days overdue	9	(4)	5	44.4%
Loans 91 up to 180 days overdue	231	(70)	161	30.3%
Loans over 180 days overdue	-	-	-	0.0%
Total car loans to individuals	13,512	(502)	13,010	3.72%
Total loans to individuals	759,033	(37,172)	721,861	4.90%
Total loans and advances to customers as at 30 June 2012 (unaudited)	16,673,885	(592,308)	16,081,577	3.55%

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6. LOANS TO CUSTOMERS (CONTINUED)

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

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities				
<i>Collectively assessed</i>				
Not past due	6,000,046	(128,465)	5,871,581	2.1%
Loans up to 30 days overdue	14,794	(25)	14,769	0.2%
Loans 31 to 60 days overdue	10,813	(66)	10,747	0.6%
Loans 61 to 90 days overdue	4,513	(49)	4,464	1.1%
Loans 91 up to 180 days overdue	30,088	(399)	29,689	1.3%
Loans over 180 days overdue	5,322	(1,105)	4,217	20.8%
Total collectively assessed loans	6,065,576	(130,109)	5,935,467	2.1%
<i>Individually impaired</i>				
Not past due	1,498,057	(87,488)	1,410,569	5.8%
Loans up to 30 days overdue	21,502	(5,957)	15,545	27.7%
Loans 31 to 60 days overdue	-	-	-	0.0%
Loans 61 to 90 days overdue	-	-	-	0.0%
Loans 91 up to 180 days overdue	-	-	-	0.0%
Loans over 180 days overdue	162,094	(31,560)	130,534	19.5%
Total individually impaired loans	1,681,653	(125,005)	1,556,648	7.4%
Total commercial loans to legal entities	7,747,229	(255,114)	7,492,115	3.3%
Specialized loans to legal entities				
<i>Collectively assessed</i>				
Not past due	3,900,927	(90,709)	3,810,218	2.3%
Loans up to 30 days overdue	2,436	(2)	2,434	0.1%
Loans 31 to 60 days overdue	11,765	(13)	11,752	0.1%
Loans 61 to 90 days overdue	3,521	(3)	3,518	0.1%
Loans 91 up to 180 days overdue	8,829	(402)	8,427	4.6%
Loans over 180 days overdue	8,266	(945)	7,321	11.4%
Total collectively assessed loans	3,935,744	(92,074)	3,843,670	2.3%
<i>Individually impaired</i>				
Not past due	1,634,381	(171,412)	1,462,969	10.5%
Loans up to 30 days overdue	401,821	(57,270)	344,551	14.3%
Loans 31 to 60 days overdue	131,938	(20,762)	111,176	15.7%
Loans 61 to 90 days overdue	-	-	-	0.0%
Loans 91 up to 180 days overdue	-	-	-	0.0%
Loans over 180 days overdue	7,889	(7,841)	48	99.4%
Total individually impaired loans	2,176,029	(257,285)	1,918,744	11.8%
Total specialized loans to legal entities	6,111,773	(349,359)	5,762,414	5.7%
Total loans to legal entities	13,859,002	(604,473)	13,254,529	4.4%

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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	645,021	(19,933)	625,088	3.1%
Loans up to 30 days overdue	3,915	(201)	3,714	5.1%
Loans 31 to 60 days overdue	2,295	(213)	2,082	9.3%
Loans 61 to 90 days overdue	1,783	(195)	1,588	10.9%
Loans 91 up to 180 days overdue	2,479	(688)	1,791	27.8%
Loans over 180 days overdue	1,017	(1,017)	-	100.0%
Total consumer and other loans to individuals	656,510	(22,247)	634,263	3.4%
Mortgage loans to individuals				
<i>Collectively assessed</i>				
Not past due	496,132	(20,850)	475,282	4.2%
Loans up to 30 days overdue	4,404	(225)	4,179	5.1%
Loans 31 to 60 days overdue	2,977	(178)	2,799	6.0%
Loans 61 to 90 days overdue	1,376	(106)	1,270	7.7%
Loans 91 up to 180 days overdue	2,130	(301)	1,829	14.1%
Loans over 180 days overdue	1,103	(1,103)	-	100.0%
Total mortgage loans to individuals	508,122	(22,763)	485,359	4.5%
Car loans to individuals				
<i>Collectively assessed</i>				
Not past due	21,607	(732)	20,875	3.4%
Loans up to 30 days overdue	489	(28)	461	5.7%
Loans 31 to 60 days overdue	44	(8)	36	18.2%
Loans 61 to 90 days overdue	137	(11)	126	8.0%
Loans 91 up to 180 days overdue	209	(72)	137	34.4%
Loans over 180 days overdue	104	(104)	-	100.0%
Total car loans to individuals	22,590	(955)	21,635	4.2%
Total loans to individuals	1,187,222	(45,965)	1,141,257	3.9%
Total loans and advances to customers as at 31 December 2011	15,046,224	(650,438)	14,395,786	4.3%

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

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6. LOANS TO CUSTOMERS (CONTINUED)

As at 30 June 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	128,302	(45,093)	83,209	35.1%
Specialised loans to legal entities	337,686	(28,305)	309,381	8.4%
Consumer and other loans to individuals	1,687	(1,247)	440	73.9%
Mortgage loans to individuals	921	(174)	747	18.9%
Car loans to individuals	231	(70)	161	30.3%
Total non-performing loans to customers as at 30 June 2012 (unaudited)	468,827	(74,889)	393,938	15.97%

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

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities	197,504	(33,064)	164,440	16.7%
Specialised loans to legal entities	24,984	(9,188)	15,796	36.8%
Consumer and other loans to individuals	3,496	(1,705)	1,791	48.8%
Mortgage loans to individuals	3,233	(1,404)	1,829	43.4%
Car loans to individuals	313	(176)	137	56.2%
Total non-performing loans to customers as at 31 December 2011	229,530	(45,537)	183,993	19.8%

Movements in allowances for impairment losses for six months ended 30 June 2012 and 30 June 2011 are disclosed in Note 19.

Information on loans which terms have been renegotiated, as at 30 June 2012 and at 31 December 2011 is presented in the tables below. It shows the carrying amount for renegotiated loans by class.

	Commercial loans to legal entities	Specialised loans to legal entities	Total
Not past due collectively assessed loans	300	2,641	2,941
Other renegotiated loans	-	-	-
Total renegotiated loans before allowance for loan impairment as at 30 June 2012 (unaudited)	300	2,641	2,941
	Commercial loans to legal entities	Specialised loans to legal entities	Total
Not past due collectively assessed loans	2,650	4,171	6,821
Other renegotiated loans	-	541	541
Total renegotiated loans before allowance for loan impairment as at 31 December 2011	2,650	4,712	7,362

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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 30 June 2012 and 31 December 2011 is as follows:

	30 June 2012 (unaudited)	31 December 2011
Gross investment in finance lease	237,497	220,677
Unearned future finance income on finance lease	(66,660)	(66,097)
Net investment in finance lease before provision for impairment	170,837	154,580
Less provision for impairment	(11,066)	(17,015)
Net investment in finance lease after provision for impairment	159,771	137,565

The contractual maturity analysis of net investments in finance lease as at 30 June 2012 is as follows:

	Net investment in finance lease before allowance for impairment	Allowance for loan impairment	Net investment in finance lease after allowance for impairment
Not later than 1 year	62,942	(4,077)	58,865
Later than 1 year but not later than 5 years	106,145	(6,876)	99,269
Later than 5 years	1,750	(113)	1,637
Total as at 30 June 2012 (unaudited)	170,837	(11,066)	159,771

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

	Net investment in finance lease before allowance for impairment	Allowance for loan impairment	Net investment in finance lease after allowance for impairment
Not later than 1 year	67,383	(7,416)	59,967
Later than 1 year but not later than 5 years	83,658	(9,209)	74,449
Later than 5 years	3,539	(390)	3,149
Total as at 31 December 2011	154,580	(17,015)	137,565

The analysis of minimal finance lease receivables as at 30 June 2012 and 31 December 2011 per contractual maturity is as follows:

	30 June 2012 (unaudited)	31 December 2011
Not later than 1 year	91,587	96,400
Later than 1 year but not later than 5 years	143,829	117,236
Later than 5 years	2,081	7,041
Total	237,497	220,677

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6. LOANS TO CUSTOMERS (CONTINUED)

Economic sector risk concentrations within the customer loan portfolio as at 30 June 2012 and at 31 December 2011 are as follows:

	30 June 2012		31 December 2011	
	Amount (unaudited)	%	Amount	%
Machinery and equipment	3,120,007	18.7	3,077,157	20.5
Trade and catering	2,007,112	12.0	1,023,728	6.8
Chemical and oil refinery industry	1,730,922	10.4	1,895,016	12.6
Financial services	1,287,140	7.7	691,354	4.6
Energy and fuel	1,173,273	7.0	1,053,414	7
Timber and woodworking industry	1,165,945	7.0	981,363	6.5
Construction	1,071,398	6.4	1,256,916	8.4
Food	979,012	5.9	389,947	2.6
Building materials	857,426	5.1	878,294	5.8
Individuals	759,033	4.6	1,187,222	7.9
Transport and communication	699,681	4.2	839,770	5.6
Light industry	465,619	2.8	375,384	2.5
Mining	464,785	2.8	632,872	4.2
Metallurgy	428,469	2.6	426,048	2.8
Agriculture	131,637	0.8	245,756	1.6
Other	332,426	2.0	91,983	0.6
Total loans to customers before allowance for loan impairment	16,673,885	100.0	15,046,224	100.0

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

	30 June 2012 (unaudited)	31 December 2011
Loans collateralized by lien over receivables	3,954,242	3,527,761
Loans collateralized by real estate or rights thereon	3,060,702	1,987,643
Loans collateralized by equipment and rights thereon	3,044,777	2,876,152
Loans collateralized by guarantees of the Government and local authorities	2,570,106	2,131,157
Loans collateralized by inventories	2,357,301	1,825,772
Loans collateralized by guarantees of enterprises	761,864	1,077,410
Loans collateralized by guarantees of individuals	647,822	1,027,542
Loans collateralized by cash or guarantee deposits	31,879	283,412
Loans collateralized by other types of collateral	245,192	309,375
	16,673,885	15,046,224
Less allowance for loan impairment	(592,308)	(650,438)
Total loans to customers	16,081,577	14,395,786

As at 30 June 2012 the aggregated loan amount of 20 largest borrowers was BYR 6,324,123 million or 37.9% of the total gross loan portfolio of the Group (31 December 2011: BYR 6,450,754 million or 42.8%).

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

At 30 June 2012 loans to customers included specialized loans in USD in the amount of BYR 292,240 million provided to two borrowers (31 December 2011: BYR 333,438 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).

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7. NON-CURRENT ASSETS HELD FOR SALE

As at 30 June 2012 and 31 December 2011 premises previously used by the Group were classified as non-current assets held for sale and were accounted for in the interim condensed consolidated statement of financial position at fair value less costs to sell. The Management has elaborated a plan to dispose premises. The sale transactions for these assets are expected to be completed in 2012 year.

As at 30 June 2012 and 31 December 2011 assets repossessed from the borrowers include machinery equipment of a bankrupted borrower. The equipment was held by the borrower on conditions of a financial lease.

8. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	Interest to nominal, %	30 June 2012 (unaudited)	Interest to nominal, %	31 December 2011
Short-term government bonds	18.0%-20.0%	554,596	-	-
Republic of Belarus Eurobonds	8.7%-8.75%	360,455	8.7%-8.75%	368,338
Long-term government bonds	10.0%	160,598	10.0%	158,070
Bonds of Belarusian companies	8.15%-41.0%	152,973	7%-49.0%	89,084
Shares		13,743		13,492
Bonds issued by municipalities	32.0%	10,429	45.0%	11,342
Total investments available for sale		1,252,794		640,326

9. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	Currency	Maturity date	Interest to nominal	30 June 2012 (unaudited)
Coupon long-term government bonds	BYR	September 2014	2%	24,935
Bonds issued by municipalities	BYR	July 2020	32%	10,614
Bonds of Belarusian companies	BYR	August 2013	36%	1,529
Total investments held to maturity				37,078

	Currency	Maturity date	Interest to nominal	31 December 2011
Coupon long-term government bonds	BYR	September 2014	2%	26,454
Bonds issued by municipalities	BYR	July 2020	45%	11,721
Bonds of Belarusian companies	BYR	August 2013	49%	1,702
Total investments held to maturity				39,877

10. PREMISES AND EQUIPMENT AND INTANGIBLE ASSETS

For the 6 months ended 30 June 2012 the Group's premises, equipment, and intangible assets additions amounted to BYR 85,919 mln (in 2011 - BYR 42,408 mln), disposals of premises, equipment, and intangible assets amounted to BYR 415 mln (in 2011 - BYR 2,416 mln).

As at 30 June 2012 included in computer equipment are fully depreciated items in the amount of BYR 90,588 million (As at 31 December 2011: BYR 67,971 million), in vehicles in the amount of BYR 19,956 million (At 31 December 2011: BYR 20,776 million) and in furniture and other assets in the amount of BYR 111,144 million (At 31 December 2011: BYR 104,232 million).

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11. OTHER ASSETS

Other assets comprise:

	30 June 2012 (unaudited)	31 December 2011
Other financial assets:		
Settlement accounts on other banking services	75,002	77,767
Accrued income	3,355	3,265
Compensation payments from participation in government program on supporting national producers of consumer goods	2,084	3,793
Other	2	7
	80,443	84,832
Other non-financial assets:		
Precious metals	25,890	27,985
Taxes recoverable and prepaid, other than income taxes	23,120	14,303
Prepaid expenses	19,221	16,429
Inventory	14,584	8,070
Prepayments for assets to be transferred into finance lease	5,694	4,721
Prepayments for equipment and intangible assets	4,465	22,254
Other advances and prepayments	12,106	10,891
	105,080	104,653
Total other assets	185,523	189,485

12. LOANS FROM THE NATIONAL BANK OF THE REPUBLIC OF BELARUS

Loans from the National Bank of the Republic of Belarus comprise:

	30 June 2012 (unaudited)	31 December 2011
Loans from the National Bank of the Republic of Belarus	292,819	333,777
Total loans from the National Bank of the Republic of Belarus	292,819	333,777

As at 30 June 2012 and 31 December 2011 the amounts due to the National Bank of the Republic of Belarus included long-term loans from the National Bank of the Republic of Belarus totaling BYR 292,819 million and BYR 333,777 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:

	30 June 2012 (unaudited)	31 December 2011
Loans from banks	4,194,470	5,924,884
Term deposit in precious metals	3,150,030	3,419,685
Correspondent accounts of banks	211,809	157,740
Total due to banks	7,556,309	9,502,309

As at 30 June 2012 a balance of due to banks amounting to BYR 5,728,255 million was due to two counterparties, including BYR 5,274,635 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

At 31 December 2011 a balance of due to banks amounting to BYR 8,241,331 million was due to four counterparties, including BYR 7,176,284 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity

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14. DUE TO INDIVIDUALS AND DUE TO CORPORATE CUSTOMERS

Due to individuals and corporate customers comprise:

	30 June 2012 (unaudited)	31 December 2011
Individuals:		
- Current/demand accounts	1,534,261	1,124,426
- Term deposits	5,277,841	4,903,626
Total due to individuals	6,812,102	6,028,052
State and public organisations:		
- Current/settlement accounts	98,829	68,366
- Term deposits	323,356	264,436
Total due to state and public organisations	422,185	332,802
Other corporate customers:		
- Current/settlement accounts	2,068,657	2,711,205
- Term deposits	5,160,819	3,930,564
Total due to other corporate customers	7,229,476	6,641,769
Total due to corporate customers	7,651,661	6,974,571
Total due to individuals and corporate customers	14,463,763	13,002,623

As at 30 June 2012 included in due to corporate customers are deposits of BYR 445,181 million (as at 31 December 2011: BYR 580,177 million) held as collateral for irrevocable commitments under import letters of credit.

As at 30 June 2012 the aggregated balances of 20 largest customers was BYR 3,649,377 million or 25.2% of total due to individuals and corporate customers (as at 31 December 2011: BYR 3,133,826 million or 24.1%).

Industry sector concentrations within customer accounts are as follows:

	30 June 2012 (unaudited)		31 December 2011	
	Amount	%	Amount	%
Individuals	6,812,102	47.1	6,028,052	46.3
Transport and communications	1,396,716	9.7	569,759	4.4
Trade	1,181,672	8.2	780,015	6.0
Machinery and equipment	1,079,482	7.5	1,513,926	11.6
Insurance and other financial services	945,481	6.5	592,550	4.6
Construction	582,088	4.0	516,447	4.0
Oil refinery and chemical industry	518,014	3.6	567,863	4.4
Woodworking and timber industry	453,087	3.1	72,686	0.6
Energy	319,872	2.2	653,508	5.0
Education	167,277	1.2	193,385	1.5
Building materials industry	120,590	0.8	113,568	0.9
State and government bodies	102,911	0.7	76,679	0.6
Light industry	91,738	0.6	232,297	1.8
Agriculture	65,872	0.5	16,144	0.1
Food	40,720	0.3	77,551	0.6
Mining	34,720	0.2	425,912	3.3
Metallurgy	32,008	0.2	69,247	0.5
Other	519,413	3.6	503,034	3.8
Total due to individuals and corporate customers	14,463,763	100.0	13,002,623	100.0

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15. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Nominal interest rate, %	30 June 2012 (unaudited)	Nominal interest rate, %	31 December 2011
Bonds issued to legal entities	5.5%-36.5%	1,209,567	5.5%-49.5%	1,197,516
Bonds issued to individuals	4.3%-32.5%	86,552	7.0%-51.0%	91,272
Certificates of deposit	12.0%-56.0%	4,385	48.0%-59.0%	1,259
Saving certificates	15.5%-18.0%	2	15.5%-18.0%	2
Total debt securities issued		1,300,506		1,290,049

Bonds issued to legal entities are interest-bearing securities issued by the Group. They are denominated in BYR, RUB USD and Euro and have maturity dates from "on demand" to February 2013 (31 December 2011: from "on demand" to March 2013). Interest rates on such bonds vary from 5.5% (for bonds in USD and EUR) to 36.5% (for bonds in BYR) p.a. (31 December 2011: from 5.5% to 49.5% p.a.).

Bonds issued to individuals are interest-bearing securities issued by the Group. They are denominated in BYR, USD and Euro and have maturity dates from "on demand" to July 2014 (31 December 2011: from "on demand" to March 2013). Interest rates on such bonds vary from 4.3% (for bonds in USD and EUR) to 32.5% (for bonds in BYR) p.a. (31 December 2011: from 7.0% to 51.0% p.a.).

Certificates of deposit and saving certificates are interest-bearing securities issued by the Group. They are denominated in BYR and have maturity dates from "on demand" to August 2012 (31 December 2011: from "on demand" to January 2012). Interest rates on such securities vary from 12.0% to 58.0% for certificates in BYR p.a. (31 December 2011: from 15.5% to 59.0% p.a.).

16. OTHER LIABILITIES

Other liabilities comprise:

	30 June 2012 (unaudited)	31 December 2011
Other financial liabilities:		
Settlement accounts on other banking services	14,744	22,730
Accrued fee payable under documentary transactions and transactions with plastic cards	14,434	12,511
Payments due to other contractors	7,328	16,351
Payables for assets to be transferred into finance lease	4,491	6,645
Payables for premises and equipment	893	47
	41,890	58,284
Other non-financial liabilities:		
Unused leave and bonus accrual	31,571	13,707
Taxes payable, other than income taxes	23,056	40,439
Accrued contributions to deposits protection fund	19,947	17,492
Other	2,843	419
	77,417	72,057
Total other liabilities	119,307	130,341

Movements in allowance for losses on guarantees and other commitments for the 6 months ended 30 June 2012 and for the 6 months ended 30 June 2011 are disclosed in Note 19.

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17. SHARE CAPITAL

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

	Number of shares		Nominal amount, BYR		Inflation adjustment	Total, mln. BYR
	Preferred	Ordinary	Preferred	Ordinary		
31 December 2011	871,112	1,102,828,888	465	465	1,454,286	1,967,506
30 June 2012 (unaudited)	871,112	1,102,828,888	465	465	1,454,286	1,967,506

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 6 months, ended 30 June 2012 the Bank declared BYR 10,421 million and BYR 19 million dividends on ordinary and preference shares for the year 2011, respectively. The dividends were BYR 9 per ordinary share and BYR 22 per preference share.

During the 6 months, ended 30 June 2011 the Bank declared BYR 7,251 million and BYR 39 million dividends on ordinary and preference shares for the year 2010, respectively. The dividends were BYR 6 per ordinary share and BYR 45 per preference share.

In accordance with Belarusian 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 378,726 million of undistributed and unreserved earnings as at 30 June 2012 (31 December 2011: BYR 809,046 million).

18. NET INTEREST INCOME BEFORE LOAN IMPAIRMENT

The net interest income before allowance for loan impairment comprises:

	3 months ended 30 June 2012 (unaudited)	3 months ended 30 June 2011 (unaudited)	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
Interest income				
Interest on loans to customers	753,300	579,621	1,655,771	1,073,699
Interest on investments available for sale	45,457	24,321	83,102	45,367
Interest on due from banks	44,524	40,417	134,660	53,970
Interest on investments held to maturity	1,678	1,642	3,763	3,957
Compensation payments on participation in government program	991	1,460	2,840	1,814
Total interest income	845,950	647,461	1,880,136	1,178,807
Interest expense				
Interest on due to corporate customers	189,431	82,541	419,145	147,006
Interest on due to individuals	170,419	122,699	366,067	232,239
Interest on deposits from banks	90,519	88,047	191,163	130,570
Interest on debt securities issued	48,535	31,157	130,429	55,374
Interest on deposits from National Bank	5,859	4,702	12,754	14,115
Total interest expense	504,763	329,146	1,119,558	579,304
Net interest income before allowance for loan impairment	341,187	318,315	760,578	599,503

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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 2010	214,261	251,621	31,801	36,298	2,407	536,388
Allowance charge for the period	123,366	144,876	6,310	4,580	670	279,802
Amounts written off	-	(25,199)	-	-	-	(25,199)
Inflation effect	(56,956)	(66,887)	(8,452)	(9,649)	(639)	(142,583)
30 June 2011 (unaudited)	280,671	304,411	29,659	31,229	2,438	648,408
31 December 2011	255,114	349,359	22,247	22,763	955	650,438
Allowance charge/ (reversal of allowance) for the period	(9,097)	18,060	53	(4,141)	(362)	4,513
Amounts written off	-	(1,209)	-	-	-	(1,209)
Inflation effect	(3,371)	(53,720)	(2,102)	(2,150)	(91)	(61,434)
30 June 2012 (unaudited)	242,646	312,490	20,198	16,472	502	592,308

The movements in provision on other transactions were as follows:

	Guarantees and other commitments
31 December 2010	26,746
Provision	43,197
Inflation effect	(7,110)
30 June 2011 (unaudited)	62,833
31 December 2011	5,799
Provision	4,367
Inflation effect	(548)
30 June 2012 (unaudited)	9,618

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20. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	3 months ended 30 June 2012 (unaudited)	3 months ended 30 June 2011 (unaudited)	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
Fee and commission income				
Salary transfer on card accounts and related cash withdrawals	54,493	53,622	100,905	106,715
Other operations with plastic cards	41,902	37,319	74,398	67,136
Settlement and cash operations with clients	32,573	40,358	64,630	76,324
Documentary operations	25,735	26,339	50,167	45,347
Foreign exchange operations	19,951	13,161	37,661	31,665
Cash delivery and collection	10,008	7,481	17,918	13,448
Settlements with banks	2,013	261	4,142	2,052
Securities operations	515	615	1,119	1,108
Other	1,285	3,190	1,974	3,966
Total fee and commission income	188,475	182,346	352,914	347,761
Fee and commission expense				
Plastic cards operations	24,369	23,392	40,972	40,069
Documentary operations	14,662	16,145	29,796	26,962
Correspondent bank services	2,217	1,597	4,197	3,668
Cash delivery and collection	1,782	2,905	4,278	4,801
Foreign exchange and cash operations	1,320	8,152	2,880	22,068
Other	1,163	2,545	2,730	4,710
Total fee and commission expense	45,513	54,736	84,853	102,278

21. NET GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

Net (loss)/ gain on foreign exchange operations comprises:

	3 months ended 30 June 2012 (unaudited)	3 months ended 30 June 2011 (unaudited)	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
Dealing, netto	82,585	19,546	117,064	64,104
Forex, netto	(156,791)	(1,856,120)	(96,213)	(2,143,763)
Net (losses)/gains from operations with currency derivatives	(37,379)	2,168,889	(108,950)	2,240,353
Total net (loss)/gain from operations with foreign currency	(111,585)	332,315	(88,099)	160,694

Net (loss)/gain from operations with precious metals and precious metals derivatives comprises:

	3 months ended 30 June 2012 (unaudited)	3 months ended 30 June 2011 (unaudited)	6 months ended 30 June 2012 (unaudited)	6 months ended 30 June 2011 (unaudited)
Net (losses)/gains from operations with physical precious metals	(5,099)	7,355	3,894	12,250
Net precious metals translations gains/(losses)	93,446	(1,334,825)	(54,622)	(1,368,649)
Net (losses)/gains from operations with precious metals derivatives	(134,206)	1,340,855	(108,345)	1,347,654
Total net (loss)/gain from operations with precious metals	(45,859)	13,385	(159,073)	(8,745)

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22. NET GAINS FROM DISPOSAL OF SUBSIDIARY

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

	30 June 2012	30 June 2011
	(unaudited)	(unaudited)
Net assets	10,062	(16,590)
Inflation effect	-	(4,460)
Proceeds from disposal of subsidiary	-	202
Net gains from disposal of subsidiary	-	26,935
The Group's 50% share in net assets of the associate CJSC "BPS-Leasing"	5,031	(10,525)

23. OTHER INCOME

Other income comprises:

	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Repayment of loans previously written off	2,746	2,453	8,503	2,536
Proceeds from non-banking activities of subsidiaries	1,761	1,532	3,450	6,236
Income from operating leases	74	92	153	184
Other	2,485	1,805	5,681	2,800
Total other income	7,066	5,882	17,787	11,756

24. OPERATING EXPENSES

Operating expenses comprise:

	3 months ended	3 months ended	6 months ended	6 months ended
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Staff costs	106,344	87,635	250,054	175,042
Social security contribution	26,451	23,613	66,797	48,825
Depreciation and amortization	21,149	11,745	42,901	40,136
Contributions to deposits protection fund	20,439	14,935	39,392	29,820
Premises and equipment maintenance	11,528	7,283	17,172	11,722
Expenses on maintenance of banking software	11,516	9,622	19,932	16,725
Operating leases	8,273	2,498	12,262	5,267
Taxes, other than income taxes	5,888	10,542	11,217	20,987
Security expenses	5,523	5,515	10,710	11,523
Advertising costs	5,337	3,492	12,531	5,926
Public utilities payments	4,863	3,858	11,165	8,434
Stationery	3,177	1,468	4,375	2,660
Legal and consulting services	2,976	2,481	7,068	3,571
Vehicles maintenance and fuel expenses	2,427	1,802	4,187	3,196
Other staff expenses	2,338	1,611	4,380	2,443
Charity and sponsorship expenses	1,895	837	2,456	1,749
Communications	1,033	1,215	1,879	2,247
Net loss from sale of premises, equipment and other assets	583	706	805	2,580
Other expenses	22,027	16,067	41,360	28,598
Total operating expenses	263,767	206,925	560,643	421,451

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25. COMMITMENTS AND CONTINGENCIES

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

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

Provision for losses on contingent liabilities amounted to BYR 9,618 million and BYR 5,799 million at 30 June 2012 and 31 December 2011, respectively (Note 19).

At 30 June 2012 and 31 December 2011 the nominal or contract amounts of contingent liabilities were:

	30 June 2012 (unaudited)	31 December 2011
Contingent liabilities and credit commitments		
Uncovered letters of credit	1,576,822	1,550,661
Commitments on loans and unused credit lines	1,030,316	657,049
Letters of credit secured by cash	445,181	580,177
Guarantees issued and similar commitments	584,591	574,842
Total contingent liabilities and credit commitments	3,636,910	3,362,729

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancelable operating leases as at 30 June 2012 and at 31 December 2011 are as follows:

	30 June 2012 (unaudited)	31 December 2011
Not later than 1 year	20,493	33,539
Later than 1 year and not later than 5 years	29,588	64,729
Later than 5 years	1,119	750
Total operating lease commitments	51,200	99,018

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

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. At 30 June 2012 and 31 December 2011 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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

Operating environment – In 2012 there were certain indicators of stabilization of the macroeconomic environment in Belarus. The slowdown in inflation which comprised 10.4% for the 1st half-year of 2012 had positive impact on the economy. The National Bank gradually decreased the refinance rate from 45% as of 31/12/2011 to 32% as of 30/06/2012 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 half-year of 2012 and showed weak tendency towards decrease. In April 2012 Standard & Poor's rating agency upgraded the outlook of sovereign credit ratings of Belarus from "negative" to "stable".

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26. TRANSACTIONS WITH RELATED PARTIES

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

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

The Group had the following transactions outstanding at 30 June 2012 and 31 December 2011 with related parties:

	30 June 2012 (unaudited)		31 December 2011	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	55,089	2,971,950	92,889	4,945,402
- parent bank	55,089		92,889	
Loans to corporate customers, gross	82,389	15,914,852	109,957	13,859,002
- associates	82,389		109,957	
Loans to individuals, gross	12,901	759,033	8,908	1,187,222
- key management personnel	12,901		8,908	
Allowance for impairment losses	6,725	592,308	5,735	650,438
- associates	6,093		5,390	
- key management personnel	632		345	
Investments in associates	23,738	23,738	19,884	19,884
Due to banks	5,274,635	7,556,309	7,176,283	9,502,309
- parent bank	5,274,635		7,176,283	
Subordinated debt	418,966	418,966	477,248	477,248
- parent bank	418,966		477,248	
Due to individuals	13,794	6,812,102	3,852	6,028,052
- key management personnel	13,794		3,852	
Due to corporate customers	68,904	7,651,661	69,564	6,974,571
- associates	68,904		69,564	
Commitments and contingencies	5,433	3,636,910	6,237	3,362,729
- associates	5,235		5,963	
- key management personnel	198		274	

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.

Included in the interim condensed consolidated income statement for the 6 months, ended 30 June 2012, and for the 6 months, ended 30 June 2011, are the following amounts which arose due to transactions with related parties:

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26. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	6 months ended 30 June 2012 (unaudited)		6 months ended 30 June 2011 (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	10,017	1,880,136	11,755	1,178,807
- parent bank	1,599		854	
- associates	7,725		10,714	
- key management personnel	693		187	
Fee and commission income	62	352,914	403	347,761
- parent bank	3		-	
- associates	59		403	
Interest expenses	(147,835)	(1,119,558)	(83,060)	(579,304)
- parent bank	(145,358)		(81,858)	
- associates	(1,278)		(1,073)	
- key management personnel	(1,199)		(129)	
Allowance for loan impairment	(990)	(4,513)	(31,853)	(279,802)
- associates	(703)		(31,874)	
- key management personnel	(287)		21	
Fee and commission expense	(14,835)	(84,853)	(8,631)	(102,278)
- parent bank	(14,835)		(8,631)	
Staff costs	(15,268)	(250,054)	(11,913)	(175,042)
- key management personnel	(15,268)		(11,913)	

During the 6 months, ended 30 June 2012, and 6 months, ended 30 June 2011, remuneration of key management personnel was comprised by short-term employee benefits.

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27. SEGMENT REPORTING

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

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

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

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

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

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

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.

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Segment information about these businesses is presented below:

	Retail banking	Corporate banking	Unallocated	30 June 2012/ 6 months ended 30 June 2012 Total
Interest income	149,401	1,494,219	236,516	1,880,136
Interest expense	(388,596)	(417,090)	(313,872)	(1,119,558)
Allowance for impairment losses on interest bearing assets	4,450	(8,963)	-	(4,513)
Fee and commission income	194,570	129,177	29,167	352,914
Fee and commission expense	(29,090)	(44,191)	(11,572)	(84,853)
Net gains arising from investment securities available for sale	-	-	(1,384)	(1,384)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	-	-	(88,099)	(88,099)
Net gains arising from operations with precious metals, precious metals derivatives and precious metals translations gains	-	-	(159,073)	(159,073)
Other provisions	-	(4,367)	-	(4,367)
Other income	-	-	17,787	17,787
External operating income	(69,265)	1,148,785	(290,530)	788,990
Income/(expense) from other segments	440,677	(506,874)	66,197	-
Total operating income	371,412	641,911	(224,333)	788,990
Operating expenses	-	-	(560,643)	(560,643)
Share of results of an associate	-	-	5,553	5,553
Profit before loss on net monetary position	371,412	641,911	(779,423)	233,900
Loss on net monetary position due to inflation effect	11,209	(63,639)	(101,229)	(153,659)
Profit before income taxes	382,621	578,272	(880,652)	80,241
Income tax expense	-	-	(39,107)	(39,107)
Net profit/(loss)	382,621	578,272	(919,759)	41,134
Segment assets	759,033	15,914,852	10,012,458	26,686,343
Segment liabilities	(6,898,656)	(8,865,613)	(8,575,584)	(24,339,853)
Other segment items				
Loans to customers	759,033	15,914,852	-	16,673,885
Customer accounts	(6,812,102)	(7,651,661)	-	(14,463,763)
Debt securities issued	(86,554)	(1,213,952)	-	(1,300,506)

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	Retail banking	Corporate banking	Unallocated	30 June 2011/ 6 months ended 30 June 2011 Total
Interest income	174,056	944,413	60,338	1,178,807
Interest expense	(232,266)	(201,998)	(145,040)	(579,304)
Allowance for impairment losses on interest bearing assets	(11,560)	(268,242)	-	(279,802)
Fee and commission income	203,235	118,609	25,917	347,761
Fee and commission expense	(28,449)	(65,433)	(8,396)	(102,278)
Net gains arising from investment securities available for sale	-	-	289	289
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	-	-	160,694	160,694
Net gains arising from operations with precious metals, precious metals derivatives and precious metals translations gains	-	-	(8,745)	(8,745)
Other provisions	-	(43,197)	-	(43,197)
Net gains from disposal of subsidiary	-	-	26,935	26,935
Other income	-	-	11,756	11,756
External operating income	105,016	484,152	123,748	712,916
Income/(expense) from other segments	126,846	(291,000)	164,154	-
Total operating income	231,862	193,152	287,902	712,916
Operating expenses	-	-	(421,451)	(421,451)
Share of results of an associate	-	-	15,842	15,842
Profit before loss on net monetary position	231,862	193,152	(117,707)	307,307
Loss on net monetary position due to inflation effect	9,694	(176,199)	(317,096)	(483,601)
Profit before income taxes	241,556	16,953	(434,803)	(176,294)
Income tax expense	-	-	(58,492)	(58,492)
Net profit/(loss)	241,556	16,953	(493,295)	(234,786)
Segment assets	1,187,222	13,859,002	12,192,915	27,239,139
Segment liabilities	(5,915,359)	(5,629,303)	(13,417,186)	(24,961,848)
Other segment items				
Loans to customers	1,187,222	13,859,002	-	15,046,224
Customer accounts	(6,028,052)	(6,974,571)	-	(13,002,623)
Debt securities issued	(91,274)	(1,198,775)	-	(1,290,049)

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

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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 shareholders through the optimization of the debt and equity balance.

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

The Group's Management reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the Bank'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 assets, 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 30 June 2012 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 2,765,456 million and tier 1 capital amount was BYR 2,054,412 million with ratios of 12.2% and 9.0%, respectively.

As at 31 December 2011 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 2,754,348 million and tier 1 capital amount was BYR 1,971,008 million with ratios of 13.1% and 9.6%, respectively.

As at 30 June 2012 and 31 December 2011 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 11.6% and 12.0%, respectively.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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.

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

At 30 June 2012 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	176	4,793,081	4,793,257
Investments available for sale	915,051	324,000	-	1,239,051
Equity investments available for sale	2,828	-	-	2,828
Total financial assets	917,879	324,176	4,793,081	6,035,136
Financial liabilities				
Derivative financial instruments	4,404	174	2,224	6,802
Total financial liabilities	4,404	174	2,224	6,802
At 31 December 2011				
Financial assets:				
Derivative financial assets	-	-	5,753,502	5,753,502
Investments available for sale	368,338	258,646	-	626,984
Equity investments available for sale	2,574	-	-	2,574
Total financial assets	370,912	258,646	5,753,502	6,383,060

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30. RISK MANAGEMENT POLICIES

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

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

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

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):

30 June 2012 (unaudited)	AA	A	BBB	BB	B	Not rated	Total
Cash equivalents	96,674	14,300	56,125	133,821	1,399,597	57,697	1,758,214
Mandatory cash balances with the National Bank	-	-	-	-	137,497	-	137,497
Due from banks	-	-	-	-	57,486	25,126	82,612
Derivative financial assets	-	-	-	-	4,793,257	-	4,793,257
Loans to corporate customers	-	-	-	-	-	15,359,716	15,359,716
Loans to individuals	-	-	-	-	-	721,861	721,861
Investments available for sale	-	-	-	-	1,075,649	174,317	1,249,966
Investments held to maturity	-	-	-	-	24,935	12,143	37,078
Other financial assets	-	-	-	-	-	80,443	80,443
31 December 2011	AA	A	BBB	BB	B	Not rated	Total
Cash equivalents	530,012	103,126	144,262	149,502	2,971,407	11,808	3,910,117
Mandatory cash balances with the National Bank	-	-	-	-	81,899	-	81,899
Due from banks	-	-	-	-	122,043	27,848	149,891
Derivative financial assets	-	-	-	-	5,753,502	-	5,753,502
Loans to corporate customers	-	-	-	-	-	13,254,529	13,254,529
Loans to individuals	-	-	-	-	-	1,141,257	1,141,257
Investments available for sale	-	2,573	-	-	526,408	111,345	640,326
Investments held to maturity	-	-	-	-	26,092	13,785	39,877
Other financial assets	-	-	-	-	-	84,832	84,832

At 30 June 2012 and 31 December 2011 other financial assets comprised past due but not impaired assets in the amount of BYR 2,500 million and BYR 696 million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 6. Except for the above mentioned at 30 June 2012 and 31 December 2011 the Bank had neither past due nor impaired financial assets.

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30. 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:

30 June 2012 (unaudited)	Belarus	CIS Countries	OECD Countries	Non-OECD countries	Total
FINANCIAL ASSETS					
Cash and cash equivalents	2,666,844	194,132	110,736	238	2,971,950
Mandatory cash balances with the National Bank	137,497	-	-	-	137,497
Due from banks	82,612	-	-	-	82,612
Derivative financial assets	4,793,257	-	-	-	4,793,257
Loans to corporate customers	15,359,716	-	-	-	15,359,716
Loans to individuals	721,861	-	-	-	721,861
Investments available for sale	1,249,966	-	2,828	-	1,252,794
Investments held to maturity	37,078	-	-	-	37,078
Other financial assets	80,443	-	-	-	80,443
TOTAL FINANCIAL ASSETS	25,129,274	194,132	113,564	238	25,437,208
FINANCIAL LIABILITIES					
Loans from the National Bank	292,819	-	-	-	292,819
Due to banks	326,183	5,396,225	1,814,255	19,646	7,556,309
Derivative financial liabilities	-	6,802	-	-	6,802
Due to individuals	6,812,102	-	-	-	6,812,102
Due to corporate customers	7,620,844	12,453	920	17,444	7,651,661
Debt securities issued	1,300,506	-	-	-	1,300,506
Provisions for guarantees and other commitments	9,618	-	-	-	9,618
Other financial liabilities	41,890	-	-	-	41,890
Subordinated debt	-	418,966	-	-	418,966
TOTAL FINANCIAL LIABILITIES	16,403,962	5,834,446	1,815,175	37,090	24,090,673
NET POSITION	8,725,312	(5,640,314)	(1,701,611)	(36,852)	

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30. RISK MANAGEMENT POLICIES (CONTINUED)
Geographical concentration (continued)
31 December 2011

	Belarus	CIS Countries	OECD Countries	Non-OECD countries	Total
FINANCIAL ASSETS					
Cash and cash equivalents	4,005,234	307,029	632,856	283	4,945,402
Mandatory cash balances with the National Bank	81,899	-	-	-	81,899
Due from banks	149,891	-	-	-	149,891
Derivative financial assets	5,753,502	-	-	-	5,753,502
Loans to corporate customers	13,254,529	-	-	-	13,254,529
Loans to individuals	1,141,257	-	-	-	1,141,257
Investments available for sale	637,753	-	2,573	-	640,326
Investments held to maturity	39,877	-	-	-	39,877
Other financial assets	84,832	-	-	-	84,832
TOTAL FINANCIAL ASSETS	25,148,774	307,029	635,429	283	26,091,515
FINANCIAL LIABILITIES					
Loans from the National Bank	333,777	-	-	-	333,777
Due to banks	142,472	7,314,855	2,018,830	26,152	9,502,309
Derivative financial liabilities	-	-	-	-	-
Due to individuals	6,028,052	-	-	-	6,028,052
Due to corporate customers	6,935,960	1,632	1,661	35,318	6,974,571
Debt securities issued	1,290,049	-	-	-	1,290,049
Provisions for guarantees and other commitments	5,799	-	-	-	5,799
Other financial liabilities	58,284	-	-	-	58,284
Subordinated debt	-	477,248	-	-	477,248
TOTAL FINANCIAL LIABILITIES	14,794,393	7,793,735	2,020,491	61,470	24,670,089
NET POSITION	10,354,381	(7,486,706)	(1,385,062)	(61,187)	

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30. 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.

30 June 2012 (unaudited)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Overdue	No stated maturity	Total
ASSETS									
Cash and cash equivalents	2,971,950	-	-	-	-	-	-	-	2,971,950
Mandatory cash balances with the National Bank	37,934	37,925	22,479	36,645	93	2,421	-	-	137,497
Due from banks	-	30,212	9,606	20,743	12,732	9,319	-	-	82,612
Derivative financial assets	-	1,446,947	699,899	1,897,767	748,644	-	-	-	4,793,257
Loans to corporate customers	1,080,040	4,065,582	3,227,939	4,232,526	1,315,885	1,287,219	150,525	-	15,359,716
Loans to individuals	25,736	57,077	86,533	192,362	87,341	261,901	10,911	-	721,861
Non-current asset held for sale	-	-	15,230	-	-	-	-	-	15,230
Investments available for sale	554,652	159,532	160,544	95,280	208,038	61,005	-	13,743	1,252,794
Investments held to maturity	-	55	-	26,409	-	10,614	-	-	37,078
Investments in an associate	-	-	-	-	-	-	-	23,738	23,738
Premises and equipment	-	-	-	-	-	-	-	978,079	978,079
Intangible assets	-	-	-	-	-	-	-	53,756	53,756
Current income tax assets	73,252	-	-	-	-	-	-	-	73,252
Other assets	138,101	9,185	646	834	314	14,688	2,500	19,255	185,523
TOTAL ASSETS	4,881,665	5,806,515	4,222,876	6,502,566	2,373,047	1,647,167	163,936	1,088,571	26,686,343
LIABILITIES									
Loans from the National Bank	1,645	7,620	13,380	270,174	-	-	-	-	292,819
Due to banks	1,431,523	2,931,603	1,617,131	1,322,998	195,720	57,334	-	-	7,556,309
Derivative financial liabilities	-	2,491	122	4,189	-	-	-	-	6,802
Due to individuals	1,251,921	1,996,898	1,764,237	1,793,475	4,947	624	-	-	6,812,102
Due to corporate customers	3,060,308	1,967,488	652,652	1,736,415	3,947	230,851	-	-	7,651,661
Debt securities issued	33,079	919,626	347,775	26	-	-	-	-	1,300,506
Current income tax liabilities	72,650	-	-	-	-	-	-	-	72,650
Deferred income tax liabilities	-	-	-	-	-	-	-	99,113	99,113
Provisions for guarantees and other commitments	-	-	-	-	-	-	-	9,618	9,618
Other liabilities	65,150	43,961	2,450	565	1,357	3,045	-	2,779	119,307
Subordinated debt	-	-	-	-	-	418,966	-	-	418,966
TOTAL LIABILITIES	5,916,276	7,869,687	4,397,747	5,127,842	205,971	710,820	-	111,510	24,339,853
Net liquidity surplus/(gap)	(1,034,611)	(2,063,172)	(174,871)	1,374,724	2,167,076	936,347	163,936	977,061	2,346,490
Cumulative liquidity gap as at 30 June 2012	(1,034,611)	(3,097,783)	(3,272,654)	(1,897,930)	269,146	1,205,493	1,369,429	2,346,490	-

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30. RISK MANAGEMENT POLICIES (CONTINUED)
Liquidity risk (continued)

31 December 2011	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Overdue	No stated maturity	Total
ASSETS									
Cash and cash equivalents	4,945,402	-	-	-	-	-	-	-	4,945,402
Mandatory cash balances with the National Bank	-	-	-	-	-	-	-	81,899	81,899
Due from banks	-	11,540	27,848	18,535	-	91,968	-	-	149,891
Derivative financial assets	-	35,596	1,728,413	2,983,618	1,005,875	-	-	-	5,753,502
Loans to corporate customers	788,687	2,915,941	2,914,502	4,290,818	95,275	2,170,748	78,558	-	13,254,529
Loans to individuals	41,704	75,176	144,264	332,305	10,336	526,027	11,445	-	1,141,257
Non-current asset held for sale	-	18,177	-	-	-	-	-	-	18,177
Investments available for sale	72	10,256	161,174	245,432	198,559	11,342	-	13,491	640,326
Investments held to maturity	72	3	-	28,081	-	11,721	-	-	39,877
Investments in an associate	-	-	-	-	-	-	-	19,884	19,884
Premises and equipment	-	-	-	-	-	-	-	944,599	944,599
Intangible assets	-	-	-	-	-	-	-	44,631	44,631
Current income tax assets	-	-	-	-	-	-	-	15,680	15,680
Other assets	144,509	12,911	2,280	4,188	161	8,299	696	16,441	189,485
TOTAL ASSETS	5,920,446	3,079,600	4,978,481	7,902,977	1,310,206	2,820,105	90,699	1,136,625	27,239,139
LIABILITIES									
Loans from the National Bank	738	8,299	10,507	314,233	-	-	-	-	333,777
Due to banks	1,240,165	1,668,571	2,800,778	3,427,296	44,715	320,784	-	-	9,502,309
Derivative financial liabilities	-	-	-	-	-	-	-	-	-
Due to individuals	857,293	787,147	2,096,914	2,179,485	104,085	3,128	-	-	6,028,052
Due to corporate customers	4,526,298	1,299,484	801,545	132,748	3,339	211,157	-	-	6,974,571
Debt securities issued	16,451	570,302	309,496	393,800	-	-	-	-	1,290,049
Current income tax liabilities	-	-	-	-	-	-	-	86,176	86,176
Deferred income tax liabilities	-	-	-	-	-	-	-	133,526	133,526
Provisions for guarantees and other commitments	-	-	-	-	-	-	-	5,799	5,799
Other liabilities	74,698	39,716	2,622	1,296	60	5,103	-	6,846	130,341
Subordinated debt	-	-	-	-	-	477,248	-	-	477,248
TOTAL LIABILITIES	6,715,643	4,373,519	6,021,862	6,448,858	152,199	1,017,420	-	232,347	24,961,848
Net liquidity surplus/(gap)	(795,197)	(1,293,919)	(1,043,381)	1,454,119	1,158,007	1,802,685	90,699	904,278	2,277,291
Cumulative liquidity gap as at 31 December 2011	(795,197)	(2,089,116)	(3,132,497)	(1,678,378)	(520,371)	1,282,314	1,373,013	2,277,291	

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30. RISK MANAGEMENT POLICIES (CONTINUED)
Liquidity risk (continued)

The Group's liquidity risk management includes estimation of core deposits, i.e. funds associated with stable customer deposits relationships, with statistical methods applied to historic information on fluctuations of customer accounts balances. Core deposits at 30 June 2012 and 31 December 2011 are estimated in the amount of BYR 1,623,646 million and BYR 1,703,758 million, respectively. As at 30 June 2012 and 31 December 2011 included in due to banks were funds attracted from parent bank in the amount of BYR 5,274,635 million and BYR 7,176,283 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 30 June 2012 and 31 December 2011 is as follows:

30 June 2012 (unaudited)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Overdue	No stated maturity	Total
Accounts of individuals analyzed based on expected withdrawal dates	796,496	1,996,898	1,764,237	1,793,475	4,947	624	-	455,425	6,812,102
Corporate accounts analyzed based on expected withdrawal dates	1,892,087	1,967,488	652,652	1,736,415	3,947	230,851	-	1,168,221	7,651,661
Funds attracted from other banks analyzed	499,174	335,803	545,452	648,191	195,720	57,334	-	5,274,635	7,556,309
Liquidity gap (based on expected withdrawal dates for customers accounts)	<u>1,521,384</u>	<u>532,628</u>	<u>896,808</u>	<u>2,049,531</u>	<u>2,167,076</u>	<u>936,347</u>	<u>163,936</u>	<u>(5,921,220)</u>	
31 December 2011	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Overdue	No stated maturity	Total
Accounts of individuals analyzed based on expected withdrawal dates	530,469	787,147	2,096,914	2,179,485	104,085	3,128	-	326,824	6,028,052
Corporate accounts analyzed based on expected withdrawal dates	3,149,363	1,299,484	801,545	132,748	3,339	211,157	-	1,376,935	6,974,571
Funds attracted from other banks analyzed	289,439	526,440	290,493	854,155	44,715	320,784	-	7,176,283	9,502,309
Liquidity gap (based on expected withdrawal dates for customers accounts)	<u>1,859,288</u>	<u>(151,788)</u>	<u>1,466,904</u>	<u>4,027,260</u>	<u>1,158,007</u>	<u>1,802,685</u>	<u>90,699</u>	<u>(7,975,764)</u>	

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.

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30. RISK MANAGEMENT POLICIES (CONTINUED)
Interest rate risk

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

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

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes" of interest rates. The level of these changes is determined by Management. The sensitivity analysis represents the annual effect of 15% increase/reduction in interest rates in respect of floating rate financial instruments nominated in BYR, and the annual effect of 5% increase/reduction in interest rates in respect of floating rate financial instruments nominated in foreign currencies existing at 30 June 2012 and 31 December 2011, respectively, on the net profit of the Group, provided all other variables were held constant. Additionally the calculation includes the effect of reinvestment of fixed-rate instruments at new market rates as they mature.

Impact on profit before taxes:

	As at 30 June 2012 (unaudited)		As at 31 December 2011	
	Interest rate +15%	Interest rate -15%	Interest rate +15%	Interest rate -15%
BYR				
Impact on profit before taxes:				
Assets:				
Due from banks	8,623	(8,623)	18,306	(18,306)
Loans to customers	800,411	(800,411)	846,683	(846,683)
Investments available for sale	102,783	(102,783)	7,884	(7,884)
Investments held to maturity	1,819	(1,819)	2,003	(2,003)
Liabilities:				
Due to banks	(13,897)	13,897	(2,263)	2,263
Customer accounts	(618,730)	618,730	(550,868)	550,868
Debt securities issued	(58,431)	58,431	(66,063)	66,063
Net impact on profit before taxes	222,578	(222,578)	255,682	(255,682)
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	4,153	(4,153)	(18,159)	18,159
Net impact on comprehensive income	226,731	(226,731)	237,523	(237,523)
	As at 30 June 2012 (unaudited)		As at 31 December 2011	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
USD				
Impact on profit before taxes:				
Assets:				
Due from banks	1,256	(1,256)	1,393	(1,393)
Loans to customers	203,202	(203,202)	107,808	(107,808)
Investments available for sale	2,314	(2,314)	2,538	(2,538)
Investments held to maturity	-	-	3	(3)
Liabilities:				
Loans from the National Bank	(14,131)	14,131	(15,832)	15,832
Due to banks	(39,910)	39,910	(18,368)	18,368
Customer accounts	(139,110)	139,110	(86,871)	86,871
Debt securities issued	(8,379)	8,379	(6,978)	6,978
Net impact on profit before taxes	5,242	(5,242)	(16,307)	16,307
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	5,242	(5,242)	(16,307)	16,307

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30. RISK MANAGEMENT POLICIES (CONTINUED)
Interest rate risk (continued)

EUR	As at 30 June 2012 (unaudited)		As at 31 December 2011	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
Impact on profit before taxes:				
Assets:				
Loans to customers	169,360	(169,360)	169,083	(169,083)
Investments available for sale	2	(2)	-	-
Liabilities:				
Due to banks	(115,987)	115,987	(169,744)	169,744
Customer accounts	(51,711)	51,711	(59,829)	59,829
Debt securities issued	(9,476)	9,476	(4,372)	4,372
Net impact on profit before taxes	(7,812)	7,812	(64,862)	64,862
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	(785)	785	-	-
Net impact on comprehensive income	(8,597)	8,597	(64,862)	64,862

RUR	As at 30 June 2012 (unaudited)		As at 31 December 2011	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
Impact on profit before taxes:				
Assets:				
Loans to customers	30,084	(30,084)	22,187	(22,187)
Investments available for sale	5,318	(5,318)	2,028	(2,028)
Liabilities:				
Due to banks	(12,866)	12,866	(8,024)	8,024
Customer accounts	(41,872)	41,872	(52,520)	52,520
Debt securities issued	(8,529)	8,529	(1,005)	1,005
Net impact on profit before taxes	(27,865)	27,865	(37,334)	37,334
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	(27,865)	27,865	(37,334)	37,334

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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30. RISK MANAGEMENT POLICIES (CONTINUED)

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

Currency risk (continued)

30 June 2012 (unaudited)	BYR	USD 1USD=BYR 8,320	EUR 1EUR=BYR 10,470	RUR 1RUR=BYR 253,5	Precious metals	Other curren- cies	Total
FINANCIAL ASSETS							
Cash and cash equivalents	1,905,975	508,530	304,706	231,507	12,381	8,851	2,971,950
Mandatory cash balances with the National Bank of the Republic of Belarus	137,497	-	-	-	-	-	137,497
Due from banks	57,486	25,126	-	-	-	-	82,612
Derivative financial assets	4,793,257	-	-	-	-	-	4,793,257
Loans to corporate customers	4,973,383	4,839,479	3,969,582	1,577,272	-	-	15,359,716
Loans to individuals	597,918	122,420	1,523	-	-	-	721,861
Investments available for sale	846,088	251,318	5,227	150,161	-	-	1,252,794
Investments held to maturity	37,078	-	-	-	-	-	37,078
Other financial assets	70,530	4,929	2,014	2,970	-	-	80,443
TOTAL FINANCIAL ASSETS	13,419,212	5,751,802	4,283,052	1,961,910	12,381	8,851	25,437,208
FINANCIAL LIABILITIES							
Loans from the National Bank	-	292,819	-	-	-	-	292,819
Due to banks	96,794	987,993	2,972,369	350,396	3,148,740	17	7,556,309
Derivative financial liabilities	6,802	-	-	-	-	-	6,802
Due to individuals	1,316,223	3,841,802	1,174,865	270,512	208,699	1	6,812,102
Due to corporate customers	3,091,119	1,946,078	1,419,466	1,080,730	109,399	4,869	7,651,661
Debt securities issued	405,209	289,358	365,288	240,651	-	-	1,300,506
Provisions for guarantees and other commitments	-	1,066	8,552	-	-	-	9,618
Other financial liabilities	13,246	15,399	7,509	5,718	-	18	41,890
Subordinated debt	-	-	418,966	-	-	-	418,966
TOTAL FINANCIAL LIABILITIES	4,929,393	7,374,515	6,367,015	1,948,007	3,466,838	4,905	24,090,673
CURRENCY POSITION	8,489,819	(1,622,713)	(2,083,963)	13,903	(3,454,457)	3,946	

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30. 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:

30 June 2012 (unaudited)	USD	EUR	RUR	Precious metals	Other curren- cies	Total
	1USD=BYR 8,320	1EUR=BYR 10,470	1RUR=BYR 253,5			
Claims on derivative financial instruments	2,023,266	4,001,732	59,841	3,473,976	-	9,810,164
Obligations on derivative financial instruments	(377,340)	(1,767,509)	(67,273)	-	-	(5,095,406)
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	1,645,926	2,234,223	(7,432)	3,473,976	-	4,714,758
TOTAL CURRENCY POSITION	23,213	150,260	6,471	19,519	3,946	

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30. RISK MANAGEMENT POLICIES (CONTINUED)
Currency risk (continued)

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

31 December 2011	BYR	USD 1USD=BYR 8,350.00	EUR 1EUR=BYR 10,800.00	RUR 1RUR=BYR 261.00	Precious metals	Other curren- cies	Total
FINANCIAL ASSETS							
Cash and cash equivalents	2,084,416	963,096	1,571,283	281,634	25,715	19,258	4,945,402
Mandatory cash balances with the National Bank of the Republic of Belarus	81,899	-	-	-	-	-	81,899
Due from banks	122,043	27,848	-	-	-	-	149,891
Derivative financial assets	5,753,502	-	-	-	-	-	5,753,502
Loans to corporate customers	5,016,479	3,038,240	4,036,014	1,163,796	-	-	13,254,529
Loans to individuals	969,837	169,210	2,210	-	-	-	1,141,257
Investments available for sale	227,057	251,723	-	161,546	-	-	640,326
Investments held to maturity	39,805	72	-	-	-	-	39,877
Other financial assets	77,008	4,363	1,198	2,263	-	-	84,832
TOTAL FINANCIAL ASSETS	14,372,046	4,454,552	5,610,705	1,609,239	25,715	19,258	26,091,515
FINANCIAL LIABILITIES							
Loans from the National Bank	-	333,777	-	-	-	-	333,777
Due to banks	16,221	658,843	5,020,075	388,561	3,418,541	68	9,502,309
Derivative financial liabilities	-	-	-	-	-	-	-
Due to individuals	1,026,684	3,239,919	1,244,842	297,654	218,952	1	6,028,052
Due to corporate customers	3,016,259	1,149,206	1,287,745	1,331,248	176,138	13,975	6,974,571
Debt securities issued	445,280	406,136	400,214	38,419	-	-	1,290,049
Provisions for guarantees and other commitments	1	1,745	4,053	-	-	-	5,799
Other financial liabilities	27,588	20,060	7,091	3,545	-	-	58,284
Subordinated debt	-	-	477,248	-	-	-	477,248
TOTAL FINANCIAL LIABILITIES	4,532,033	5,809,686	8,441,268	2,059,427	3,813,631	14,044	24,670,089
CURRENCY POSITION	9,840,013	(1,355,134)	(2,830,563)	(450,188)	(3,787,916)	5,214	

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30. RISK MANAGEMENT POLICIES (CONTINUED)
Currency risk (continued)
Derivative financial instruments

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

31 December 2011	USD		EUR		RUR	Precious metals	Other curren- cies	Total
	BYR	1USD=BYR	1EUR=BYR	1RUR=BYR				
Claims on derivative financial instruments	-	1,394,995	4,063,450	449,998	3,799,660	-	9,708,103	
Obligations on derivative financial instruments	(3,243,256)	-	(1,112,139)	-	-	-	(4,355,395)	
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(3,243,256)	1,394,995	2,951,311	449,998	3,799,660	-	5,352,708	
TOTAL CURRENCY POSITION	6,596,757	39,861	120,748	(190)	11,744	5,214		

Currency risk sensitivity

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

	As at 30 June 2012 (unaudited)		As at 31 December 2011	
	BYR/USD	BYR/USD	BYR/USD	BYR/USD
	+30%	-10%	+30%	-10%
Impact on profit or loss	6,964	(2,321)	11,958	(3,986)
Impact on comprehensive income	6,964	(2,321)	11,958	(3,986)
	As at 30 June 2012 (unaudited)		As at 31 December 2011	
	BYR/EUR	BYR/EUR	BYR/EUR	BYR/EUR
	+30%	-10%	+30%	-10%
Impact on profit or loss	45,078	(15,026)	36,224	(12,075)
Impact on comprehensive income	45,078	(15,026)	36,224	(12,075)
	As at 30 June 2012 (unaudited)		As at 31 December 2011	
	BYR/RUR	BYR/RUR	BYR/RUR	BYR/RUR
	+30%	-10%	+30%	-10%
Impact on profit or loss	1,941	(647)	(57)	19
Impact on comprehensive income	1,941	(647)	(57)	19

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30. 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.

31. SUBSEQUENT EVENTS

During the first half-year of 2012 the National Bank of the Republic of Belarus has been decreasing the prime refinancing rate in BYR five times since the beginning of the year, as at 30 June 2012 the rate was 32%. At 18 July 2012 the prime refinancing rate has been changed to 31%. Since August, 15th, 2012, the prime refinancing rate is 30.5%.