BPS-Sberbank

Interim Condensed Consolidated Financial Statements

For the 3 months ended 31 March 2014

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Report on review of interim condensed consolidated financial statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "BPS-Sberbank" and its subsidiaries (together the "Group") as of 31 March 2014, comprising of the interim condensed consolidated statement of financial position as of 31 March 2014 and the related interim condensed consolidated income statements and statements of comprehensive income for the three months then ended, interim condensed consolidated statements of changes in equity and of cash flows for the three months then ended and selected explanatory notes. Management of the Group is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of review

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

Conclusion

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

Ernst & Young LLC

22 May 2014

Interim condensed consolidated statement of financial position

As of 31 March 2014

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

	Notes	31 March 2014 (unaudited)	31 December 2013
Assets			
Cash and cash equivalents	3, 25	4,327,455	5,049,708
Mandatory cash balances with the National bank of the Republic of Belarus		187,443	202,348
Due from banks	4	66,465	75,102
Derivative financial assets	5	4,569,707	5,130,832
Loans to corporate customers	6, 25	21,500,536	21,632,820
Loans to individuals	6, 25	1,357,824	1,464,791
Non-current assets held for sale	7	12,872	19,985
Investments available for sale	8	1,020,592	959,082
Investments held to maturity	9	209,947	216,842
Investments in associates		68,624	60,688
Premises and equipment	10	1,416,607	1,410,166
Intangible assets	10	144,772	132,716
Current income tax assets		100	127,929
Other financial assets	11	96,280	404,798
Other non-financial assets	11	189,020	206,588
Total assets		**35,168,244**	**37,094,395**
Liabilities and equity			
Liabilities			
Loans from the National bank of the Republic of Belarus	12	248,465	251,377
Due to banks	13, 25	10,360,159	11,845,759
Derivative financial liabilities	5	21,331	10,588
Due to individuals	14, 25	10,271,630	9,631,514
Due to corporate customers	14, 25	8,042,313	9,030,583
Debt securities issued	15	917,405	812,075
Current income tax liabilities		46,054	203,303
Deferred income tax liabilities		69,681	56,353
Provisions for guarantees and other commitments	19	3,698	13,463
Other financial liabilities	16	597,673	528,161
Other non-financial liabilities	16	49,507	103,709
Subordinated debt	25	678,609	686,791
Total liabilities		**31,306,525**	**33,173,676**
Equity			
Share capital	17	2,904,633	2,904,633
Share premium		5,203	5,203
Revaluation reserve for office premises and assets held for sale		333,032	338,604
Investments available for sale fair value deficit		(19,126)	(17,491)
Retained earnings		637,786	689,573
Total equity attributable to shareholders of the Bank		**3,861,528**	**3,920,522**
Non-controlling interest		191	197
Total equity		**3,861,719**	**3,920,719**
Total liabilities and equity		**35,168,244**	**37,094,395**

Signed and authorized for release on behalf of the Management Board

Chairman of the Board
Vasili S. Matyushevski
20 May 2014
Minsk

Chief Accountant
Anatoly V. Boreiko
20 May 2014
Minsk

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

Interim condensed consolidated income statement

For the 3 months ended 31 March 2014

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

	Notes	3 months ended 31 March 2014 (unaudited)	3 months ended 31 March 2013 (unaudited)
Interest income	18, 26	1,157,935	1,164,467
Interest expense	18, 26	(600,938)	(679,455)
Contributions to deposits protection fund	18, 26	(31,021)	(28,279)
Net interest income before provision for impairment losses on interest bearing assets		**525,976**	**456,733**
Allowance for impairment losses on interest bearing assets	19, 26	(39,480)	(253)
Net interest income		**486,496**	**456,480**
Fee and commission income	20, 26	316,599	281,385
Fee and commission expense	20, 26	(71,360)	(67,100)
Net losses arising from investment securities available for sale	26	(1,784)	(726)
Net (losses)/gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	21, 26	(70,459)	75,343
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations losses	21, 26	(70,621)	(31,109)
Reversal on other provisions / (other provisions)	19, 26	9,126	(89)
Other income	22, 26	45,758	18,899
Net non-interest income		**157,259**	**276,603**
Operating income		643,755	733,083
Operating expenses	23, 26	(450,652)	(337,405)
Share of results of an associate	26	10,815	13,091
Profit before loss on net monetary position		**203,918**	**408,769**
Loss on net monetary position due to inflation effect	26	(101,933)	(114,464)
Profit before income taxes		**101,985**	**294,305**
Income tax expense	26	(61,612)	(75,053)
Net profit		**40,373**	**219,252**
Attributable to:			
Shareholders of the parent Bank		40,379	219,247
Non-controlling interest		(6)	5
Net profit		**40,373**	**219,252**

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Vasili S. Matyushevski
20 May 2014
Minsk

Chief Accountant
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20 May 2014
Minsk

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Interim condensed consolidated statement of comprehensive income

For the 3 months ended 31 March 2014

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

	Notes	*3 months ended 31 March 2014 (unaudited)*	*3 months ended 31 March 2013 (unaudited)*
Net profit		**40,373**	**219,252**
Other comprehensive (loss)/income			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:			
Net change in fair value of investments available for sale		(3,419)	36,527
Reclassification adjustments for losses included in profit or loss from comprehensive income on disposal of investments available for sale		1,784	726
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		**(1,635)**	**37,253**
Other comprehensive loss not being reclassified to profit or loss in subsequent periods:			
Net change in income tax relating to office premises remeasurement		(1,989)	(6,629)
Other comprehensive (loss)/income		**(3,624)**	**30,624**
Total comprehensive income		**36,749**	**249,876**
Attributable to:			
Shareholders of the parent		36,755	249,871
Non-controlling interest		(6)	5
Total comprehensive income		**36,749**	**249,876**

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

Interim condensed consolidated statement of changes in equity

For the 3 months ended 31 March 2014

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

	Notes	Share capital	Share premium	Revaluation reserve for office premises and assets held for sale	Investments available for sale fair value deficit	Retained earnings	Total equity attributable to sharehol-ders of the Bank	Non-controlling interest	Total equity
31 December 2012		**2,711,530**	**–**	**337,556**	**(40,338)**	**292,794**	**3,301,542**	**269**	**3,301,811**
Total comprehensive income for the period		–	–	(6,629)	37,253	219,247	249,871	5	**249,876**
Amortisation of revaluation reserve for premises, net of tax		–	–	(2,101)	–	2,101	–	–	**–**
Disposal of premises		–	–	(1,489)	–	1,489	–	–	**–**
Dividends paid	17	–	–	–	–	(24,320)	(24,320)	–	**(24,320)**
31 March 2013 (unaudited)		**2,711,530**	**–**	**327,337**	**(3,085)**	**491,311**	**3,527,093**	**274**	**3,527,367**
31 December 2013		**2,904,633**	**5,203**	**338,604**	**(17,491)**	**689,573**	**3,920,522**	**197**	**3,920,719**
Total comprehensive income for the period		–	–	(1,989)	(1,635)	40,379	36,755	(6)	**36,749**
Amortisation of revaluation reserve for premises, net of tax		–	–	(3,583)	–	3,583	–	–	**–**
Dividends paid	17	–	–	–	–	(95,749)	(95,749)	–	**(95,749)**
31 March 2014 (unaudited)		**2,904,633**	**5,203**	**333,032**	**(19,126)**	**637,786**	**3,861,528**	**191**	**3,861,719**

Interim condensed consolidated statement of cash flows

For the 3 months ended 31 March 2014

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

	Notes	3 months ended 31 March 2014 (unaudited)	3 months ended 31 March 2013 (unaudited)
Cash flows from operating activities			
Interest income		1,121,932	1,143,232
Interest expense		(552,841)	(650,993)
Fee and commission income		316,599	281,385
Fee and commission expense		(71,360)	(67,100)
Net gain on foreign exchange operations		90,798	47,124
Net gain on derivative financial instruments		627,670	837,831
Net loss on disposal of investments available for sale		(1,784)	(726)
Net gain on precious metals		26,383	5,092
Other income		45,418	8,041
Operating expenses		(402,784)	(327,511)
Income taxes paid		(73,445)	(11,223)
Cash flows from operating activities before changes in operating assets and liabilities		**1,126,586**	**1,265,152**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National bank of the Republic of Belarus		5,306	6,846
Due from banks		(11,148)	105,278
Loans to corporate customers		(349,820)	(1,512,769)
Loans to individuals		34,740	(17,230)
Other assets		39,776	3,016
Increase/(decrease) in operating liabilities:			
Loans from the National bank of the Republic of Belarus		(12)	(8,302)
Due to banks		(1,642,915)	139,228
Due to individuals		800,717	340,283
Due to corporate customers		(654,792)	(1,201,062)
Debt securities issued		135,013	94,859
Other liabilities		12,564	21,622
Net cash outflow from operating activities		**(503,985)**	**(763,079)**

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

Interim condensed consolidated statement of cash flows (continued)

	Notes	*3 months ended 31 March 2014 (unaudited)*	*3 months ended 31 March 2013 (unaudited)*
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(75,992)	(65,102)
Proceeds on sale of premises and equipment		298,044	15,304
Proceeds on disposals of assets held for sale		7,113	–
Purchase of investments available for sale		(112,560)	–
Proceeds on repayment of investments available for sale		19,506	14,367
Dividends received		1	2,198
Net cash inflow/(outflow) from investing activities		**136,112**	**(33,233)**
Effect of changes in foreign exchange rates on cash and cash equivalents		6,125	4,020
Inflation effect on monetary assets and liabilities		(360,505)	(288,951)
Net decrease in cash and cash equivalents		**(367,873)**	**(796,312)**
Cash and cash equivalents, beginning of the period	3	**5,049,708**	**4,879,545**
Cash and cash equivalents, end of the period	3	**4,327,455**	**3,798,302**

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

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 License of the National bank for performing banking operations № 4 issued on 5 June 2013. The Bank accepts deposits from the public, issues loans and transfers payments in the Republic of Belarus and abroad, exchanges currencies and provides other banking services to its commercial and retail customers, including cash collection and operations with precious metals.

The registered office of the Bank is located at 6 Mulyavin Boulevard, 220005, Minsk, Republic of Belarus. As at 31 March 2014 the Bank had 6 regional directories and 38 banking service centers, as well as representative office in the Republic of Poland, Warsaw.

The average number of employees of the Bank during 3 months, ended 31 March 2014, and 3 months, ended 31 March 2013 was 4,221 and 4,115 persons, respectively.

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

		Proportion of ownership interest / voting rights, %		
Name	***Country of operation***	***31 March 2014***	***31 December 2013***	***Type of operation***
Subsidiaries:				
Limited Liability Company "Narochanskaya Niva 2004"	Republic of Belarus	98.7	98.7	Agriculture
Closed Joint Stock Company "SB-Global"	Republic of Belarus	99.9	99.9	Advisory activity
CJSC "Service Desk"	Republic of Belarus	99.9	99.9	Information and communication services
Associates:				
Closed Joint Stock Company "BPS-Leasing"	Republic of Belarus	49.0	49.0	Finance lease activities
Closed Joint Stock Insurance Company "TASK"	Republic of Belarus	25.6	25.6	Insurance services
LLC "Sberbank-Technologies"	Republic of Belarus	25.0	25.0	Software development and consulting

As at 31 March 2014 and 31 December 2013 the following shareholders owned the issued shares of the Bank:

Shareholder	***31 March 2014, %***	***31 December 2013, %***
Sberbank	98.43	98.43
Other	1.57	1.57
Total	**100.00**	**100.00**

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

These interim condensed consolidated financial statements were authorized for issue by the Management Board on 20 May 2014.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

2. Basis of presentation

General

These interim condensed consolidated financial statements of JSC "BPS-Sberbank" (the "Bank") and its subsidiaries ("the Group") for 3 months ended 31 March 2014 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2013.

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:

	31 March 2014	***31 December 2013***
BYR/USD	9,870.00	9,510.00
BYR/EUR	13,570.00	13,080.00
BYR/RUB	277.00	290.50

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

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2013, except for the changes introduced due to implementation of new and/or revised standards and interpretations starting from 1 January 2014, noted below.

Accounting for the effects of hyperinflation

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

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

Year	***Index, %***	***Conversion factors***
2006	106.46	477.24
2007	111.97	426.22
2008	113.45	375.69
2009	109.85	342.00
2010	110.03	310.83
2011	208.67	148.96
2012	121.69	122.41
3 months 2013	105.38	116.16
2013	116.60	104.98
3 months 2014	104.98	100.00

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

2. Basis of presentation (continued)

Accounting for the effects of hyperinflation (continued)

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at 31 March 2014. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as at 31 March 2014 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.

The application of IAS 29 results in an adjustment for the loss of purchasing power of the Belarusian Rouble recorded in profit or loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss/gain is derived as the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the interim condensed consolidated statement of comprehensive income. Corresponding figures for the year ended 31 December 2013 have also been restated so that they are presented in terms of the purchasing power of the Belarusian Rouble as at 31 March 2014. Income and expense items of the interim condensed consolidated income statement for the 3 months ended 31 March 2014 and 31 March 2013 were restated on a quarterly basis with the use of average indexes for each quarter.

Functional and presentation currency

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

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013, except for the adoption of new Standards and Interpretations as at 1 January 2014, noted below:

Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)
These amendments are effective for annual periods beginning on or after 1 January 2014 provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. This amendment is not relevant to the Group, since none of the entities in the Group does not qualify to be an investment entity under IFRS 10.

IAS 32 Offsetting Financial Assets and Financial Liabilities − Amendments to IAS 32
These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These are effective for annual periods beginning on or after 1 January 2014. These amendments had no impact on the Group's financial position.

IFRIC Interpretation 21 Levies (IFRIC 21)
IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after 1 January 2014. This IFRIC had no material impact on the Group's financial statements.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. This amendment is not relevant to the Group, since the Group has not novated its derivatives during the current period.

Recoverable Amount Disclosures for Non-Financial Assets – Amendments to IAS 36
These amendments remove the unintended consequences of IFRS 13 *Fair Value Measurement* on the disclosures required under IAS 36 *Impairment of Assets*. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which an impairment loss has been recognised or reversed during the period. These amendments had no impact on the Group's financial position or performance.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

3. Cash and cash equivalents

	31 March 2014 (unaudited)	*31 December 2013*
Current accounts with the National bank	2,378,376	2,060,960
Cash	1,436,363	1,618,184
Correspondent accounts and placements with other banks:		
- Belarus	70,858	45,654
- Other countries	387,897	1,213,576
Settlements with the Belarusian Currency and Stock Exchange	53,961	111,334
Total cash and cash equivalents	**4,327,455**	**5,049,708**

Correspondent accounts and placements with other banks mostly represent balances with the largest foreign banks and top rated belarusian banks. Analysis by credit quality of the balances with counterparty banks as at 31 March 2014 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:				
- Belarus	–	63,235	7,623	**70,858**
- Other countries	359,926	–	27,971	**387,897**
Total	**359,926**	**63,235**	35,594	**458,755**

Analysis by credit quality of the balances with counterparty banks as at 31 December 2013 made on the basis of ratings of international rating agencies is as follows:

	Investment rating	*Speculative rating*	*Not rated*	*Total*
Correspondent accounts and placements with other banks:				
- Belarus	–	40,012	5,642	**45,654**
- Other countries	1,209,871	–	3,705	**1,213,576**
Total	**1,209,871**	**40,012**	**9,347**	**1,259,230**

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

As at 31 March 2014 and 31 December 2013 all cash and cash equivalents are neither past due nor impaired.

4. Due from banks

Due from banks comprise:

	31 March 2014 (unaudited)	*31 December 2013*
Time deposits and loans to banks:		
- Belarus	66,465	75,102
Total due from banks	**66,465**	**75,102**

Time deposits and loans to banks mostly represent balances with top rated belarusian banks.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

4. Due from banks (continued)

Analysis by credit quality of the balances with counterparty banks as at 31 March 2014 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	66,465	–	**66,465**
Total	**66,465**	**–**	**66,465**

Analysis by credit quality of the balances with counterparty banks as at 31 December 2013 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	75,102	–	**75,102**
Total	**75,102**	**–**	**75,102**

As at 31 March 2014 and 31 December 2013 included in due from banks are long-term loans issued to JSC “Belagroprombank” under the Government’s program on financing for acquisition of agricultural equipment for the total amount of BYR 66,465 million and BYR 75,102 million, respectively, with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National bank.

5. Derivative financial instruments

As at 31 March 2014 and 31 December 2013 derivative financial instruments comprise:

Derivative type	*Nominal amount (in units of currency to be purchased)*	*Fair value as at 31 March 2014 (unaudited)*	
		Asset	*Liability*
EUR/BYR foreign currency swap	EUR 270,709,341	2,539,906	–
XAU/BYR precious metals swap	XAU 5,010,000	1,346,077	–
USD/BYR foreign currency swap	USD 114,716,236	682,406	1,534
BYR/EUR foreign currency swap	BYR 68,485,050,000	635	–
XAG/USD precious metals swap	XAG 2,870,386	234	111
XPT/USD precious metals swap	XPT 96,421	220	–
USD/RUB foreign currency spot	USD 1,600,000	114	–
EUR/RUB foreign currency spot	EUR 1,300,000	72	–
USD/EUR foreign currency swap	USD 16,155,930	18	7
BYR/USD foreign currency spot	BYR 69,113,982,000	16	–
EUR/USD foreign currency spot	EUR 5,000,000	7	211
USD/XAG foreign currency spot	USD 19,900	2	–
USD/CNY foreign currency spot	USD 160,886	–	1
GBP/USD foreign currency spot	GBP 50,000	–	1
RUB/USD foreign currency spot	RUB 70,767,000	–	138
USD/UAH foreign currency spot	USD 480,000	–	550
XAU/USD precious metals swap	XAU 690,498	–	7,728
RUB/EUR foreign currency forward	RUB 194,435,157	–	11,050
Total derivative financial instruments		**4,569,707**	**21,331**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

5. Derivative financial instruments (continued)

Derivative type	*Nominal amount (in units of currency to be purchased)*	*Fair value as at 31 December 2013*	
		Asset	*Liability*
EUR/BYR foreign currency swap	EUR 340,709,341	3,194,819	–
XAU/BYR precious metals swap	XAU 5,010,000	1,243,926	–
USD/BYR foreign currency swap	USD 161,157,173	691,838	1,480
USD/EUR foreign currency spot	USD 6,670,080	131	–
XAG/USD precious metals swap	XAG 3,110,350	118	–
XPT/USD precious metals swap	XPT 101,086	–	2,464
XAU/USD precious metals swap	XAU 702,006	–	104
EUR/USD foreign currency spot	EUR 2,000,000	–	18
RUB/EUR foreign currency forward	RUB 199,489,960	–	6,522
Total derivative financial instruments		**5,130,832**	**10,588**

As at 31 March 2014 and 31 December 2013 derivative financial instruments mainly comprised swap contracts with the National bank to purchase Belarusian Roubles for foreign currency and precious metals.

6. Loans to customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 March 2014 and 31 December 2013.

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

31 March 2014 (unaudited)	*Not past due loans*	*Past due loans*	*Total*
Commercial loans to legal entities	10,167,727	501,713	**10,669,440**
Specialized loans to legal entities	11,624,796	161,057	**11,785,853**
Consumer and other loans to individuals	384,498	14,234	**398,732**
Credit cards and overdrafts	419,290	12,383	**431,673**
Mortgage loans to individuals	490,857	24,582	**515,439**
Car loans to individuals	43,838	970	**44,808**
Total loans to customers before allowance for loan impairment	**23,131,006**	**714,939**	**23,845,945**
Less: allowance for loan impairment	(820,874)	(166,711)	**(987,585)**
Total loans to customers net of allowance for loan impairment	**22,310,132**	**548,228**	**22,858,360**

31 December 2013	*Not past due loans*	*Past due loans*	*Total*
Commercial loans to legal entities	10,510,751	448,952	**10,959,703**
Specialized loans to legal entities	11,454,212	188,505	**11,642,717**
Consumer and other loans to individuals	438,083	10,612	**448,695**
Credit cards and overdrafts	432,423	9,076	**441,499**
Mortgage loans to individuals	537,197	17,116	**554,313**
Car loans to individuals	45,260	745	**46,005**
Total loans to customers before allowance for loan impairment	**23,417,926**	**675,006**	**24,092,932**
Less: allowance for loan impairment	(805,098)	(190,223)	**(995,321)**
Total loans to customers net of allowance for loan impairment	**22,612,828**	**484,783**	**23,097,611**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

6. Loans to customers (continued)

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 and credit cards and overdrafts.

Credit cards and overdrafts represent revolving credit lines. These loans are considered a comfortable instrument for customers as a reserve source of funds in case of need available everywhere and anytime.

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

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

6. Loans to customers (continued)

The table below shows the analysis of loans and allowance for loan impairment as at 31 March 2014:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities				
Individually assessed but not impaired and collectively assessed loans				
Not past due	9,010,646	(77,960)	8,932,686	0.9%
Loans up to 30 days overdue	65,683	(723)	64,960	1.1%
Loans 31 to 60 days overdue	46,579	(258)	46,321	0.6%
Loans 61 to 90 days overdue	42,083	(136)	41,947	0.3%
Loans 91 up to 180 days overdue	35,830	(257)	35,573	0.7%
Loans over 180 days overdue	78,668	(14,499)	64,169	18.4%
Total collectively assessed loans	**9,279,489**	**(93,833)**	**9,185,656**	**1.0%**
Individually impaired				
Not past due	1,157,081	(92,985)	1,064,096	8.0%
Loans up to 30 days overdue	12,813	(800)	12,013	6.2%
Loans 31 to 60 days overdue	–	–	–	–
Loans 61 to 90 days overdue	36	(8)	28	22.2%
Loans 91 up to 180 days overdue	15,522	(1,716)	13,806	11.1%
Loans over 180 days overdue	204,499	(94,200)	110,299	46.1%
Total individually impaired loans	**1,389,951**	**(189,709)**	**1,200,242**	**13.6%**
Total commercial loans to legal entities	**10,669,440**	**(283,542)**	**10,385,898**	**2.7%**
Specialized loans to legal entities				
Individually assessed but not impaired and collectively assessed loans				
Not past due	8,217,707	(178,722)	8,038,985	2.2%
Loans up to 30 days overdue	16,427	(57)	16,370	0.3%
Loans 31 to 60 days overdue	38,146	(1,608)	36,538	4.2%
Loans 61 to 90 days overdue	12,035	(44)	11,991	0.4%
Loans 91 up to 180 days overdue	16,452	(434)	16,018	2.6%
Loans over 180 days overdue	26,547	(6,819)	19,728	25.7%
Total collectively assessed loans	**8,327,314**	**(187,684)**	**8,139,630**	**2.3%**
Individually impaired				
Not past due	3,407,089	(466,692)	2,940,397	13.7%
Loans up to 30 days overdue	3,593	(409)	3,184	11.4%
Loans 31 to 60 days overdue	5,256	(306)	4,950	5.8%
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	–	–	–	–
Loans over 180 days overdue	42,601	(16,124)	26,477	37.8%
Total individually impaired loans	**3,458,539**	**(483,531)**	**2,975,008**	**14.0%**
Total specialized loans to legal entities	**11,785,853**	**(671,215)**	**11,114,638**	**5.7%**
Total loans to legal entities	**22,455,293**	**(954,757)**	**21,500,536**	**4.3%**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

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				
Collectively assessed				
Not past due	384,498	(1,134)	383,364	0.3%
Loans up to 30 days overdue	6,261	(1,132)	5,129	18.1%
Loans 31 to 60 days overdue	1,020	(694)	326	68.0%
Loans 61 to 90 days overdue	515	(512)	3	99.4%
Loans 91 up to 180 days overdue	1,295	(1,295)	–	100.0%
Loans over 180 days overdue	5,143	(5,143)	–	100.0%
Total consumer and other loans to individuals	**398,732**	**(9,910)**	**388,822**	**2.5%**
Credit cards and overdrafts				
Collectively assessed				
Not past due	419,290	(870)	418,420	0.2%
Loans up to 30 days overdue	6,364	(687)	5,677	10.8%
Loans 31 to 60 days overdue	1,272	(609)	663	47.9%
Loans 61 to 90 days overdue	387	(384)	3	99.2%
Loans 91 up to 180 days overdue	1,008	(1,008)	–	100.0%
Loans over 180 days overdue	3,352	(3,352)	–	100.0%
Total credit cards and overdrafts	**431,673**	**(6,910)**	**424,763**	**1.6%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	490,857	(2,510)	488,347	0.5%
Loans up to 30 days overdue	12,643	(3,045)	9,598	24.1%
Loans 31 to 60 days overdue	3,444	(1,642)	1,802	47.7%
Loans 61 to 90 days overdue	1,541	(1,436)	105	93.2%
Loans 91 up to 180 days overdue	1,438	(1,438)	–	100.0%
Loans over 180 days overdue	5,516	(5,516)	–	100.0%
Total mortgage loans to individuals	**515,439**	**(15,587)**	**499,852**	**3.0%**
Car loans to individuals				
Collectively assessed				
Not past due	43,838	(1)	43,837	0.0%
Loans up to 30 days overdue	551	(1)	550	0.2%
Loans 31 to 60 days overdue	–	–	–	–
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	–	–	–	–
Loans over 180 days overdue	419	(419)	–	100.0%
Total car loans to individuals	**44,808**	**(421)**	**44,387**	**0.9%**
Total loans to individuals	**1,390,652**	**(32,828)**	**1,357,824**	**2.4%**
Total loans and advances to customers as at 31 March 2014 (unaudited)	**23,845,945**	**(987,585)**	**22,858,360**	**4.1%**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

6. Loans to customers (continued)

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

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities				
Individually assessed but not impaired and collectively assessed loans				
Not past due	9,382,337	(146,137)	9,236,200	1.6%
Loans up to 30 days overdue	36,540	(361)	36,179	1.0%
Loans 31 to 60 days overdue	13,217	(132)	13,085	1.0%
Loans 61 to 90 days overdue	10,745	(115)	10,630	1.1%
Loans 91 up to 180 days overdue	50,935	(611)	50,324	1.2%
Loans over 180 days overdue	42,563	(10,684)	31,879	25.1%
Total collectively assessed loans	**9,536,337**	**(158,040)**	**9,378,297**	**1.7%**
Individually impaired				
Not past due	1,128,414	(81,467)	1,046,947	7.2%
Loans up to 30 days overdue	42,968	(2,927)	40,041	6.8%
Loans 31 to 60 days overdue	16,928	(2,172)	14,756	12.8%
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	10,630	(1,108)	9,522	10.4%
Loans over 180 days overdue	224,426	(106,092)	118,334	47.3%
Total individually impaired loans	**1,423,366**	**(193,766)**	**1,229,600**	**13.6%**
Total commercial loans to legal entities	**10,959,703**	**(351,806)**	**10,607,897**	**3.2%**
Specialized loans to legal entities				
Individually assessed but not impaired and collectively assessed loans				
Not past due	7,880,831	(145,663)	7,735,168	1.8%
Loans up to 30 days overdue	3,005	(48)	2,957	1.6%
Loans 31 to 60 days overdue	13,989	(148)	13,841	1.1%
Loans 61 to 90 days overdue	5,290	(56)	5,234	1.1%
Loans 91 up to 180 days overdue	4,822	(50)	4,772	1.0%
Loans over 180 days overdue	24,739	(6,655)	18,084	26.9%
Total collectively assessed loans	**7,932,676**	**(152,620)**	**7,780,056**	**1.9%**
Individually impaired				
Not past due	3,573,381	(429,786)	3,143,595	12.0%
Loans up to 30 days overdue	8,673	(645)	8,028	7.4%
Loans 31 to 60 days overdue	83,253	(17,767)	65,486	21.3%
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	–	–	–	–
Loans over 180 days overdue	44,734	(16,976)	27,758	37.9%
Total individually impaired loans	**3,710,041**	**(465,174)**	**3,244,867**	**12.5%**
Total specialized loans to legal entities	**11,642,717**	**(617,794)**	**11,024,923**	**5.3%**
Total loans to legal entities	**22,602,420**	**(969,600)**	**21,632,820**	**4.3%**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

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				
Collectively assessed				
Not past due	438,083	(577)	437,506	0.1%
Loans up to 30 days overdue	3,334	(286)	3,048	8.6%
Loans 31 to 60 days overdue	665	(394)	271	59.2%
Loans 61 to 90 days overdue	688	(684)	4	99.4%
Loans 91 up to 180 days overdue	964	(964)	–	100.0%
Loans over 180 days overdue	4,961	(4,961)	–	100.0%
Total consumer and other loans to individuals	**448,695**	**(7,866)**	**440,829**	**1.8%**
Credit cards and overdrafts				
Collectively assessed				
Not past due	432,423	(490)	431,933	0.1%
Loans up to 30 days overdue	4,217	(236)	3,981	5.6%
Loans 31 to 60 days overdue	742	(360)	382	48.5%
Loans 61 to 90 days overdue	276	(275)	1	99.6%
Loans 91 up to 180 days overdue	462	(462)	–	100.0%
Loans over 180 days overdue	3,379	(3,379)	–	100.0%
Total credit cards and overdrafts	**441,499**	**(5,202)**	**436,297**	**1.2%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	537,197	(947)	536,250	0.2%
Loans up to 30 days overdue	4,625	(495)	4,130	10.7%
Loans 31 to 60 days overdue	3,443	(1,814)	1,629	52.7%
Loans 61 to 90 days overdue	1,008	(876)	132	86.9%
Loans 91 up to 180 days overdue	2,656	(2,656)	–	100.0%
Loans over 180 days overdue	5,384	(5,384)	–	100.0%
Total mortgage loans to individuals	**554,313**	**(12,172)**	**542,141**	**2.2%**
Car loans to individuals				
Collectively assessed				
Not past due	45,260	(31)	45,229	0.1%
Loans up to 30 days overdue	307	(12)	295	3.9%
Loans 31 to 60 days overdue	–	–	–	–
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	73	(73)	–	100.0%
Loans over 180 days overdue	365	(365)	–	100.0%
Total car loans to individuals	**46,005**	**(481)**	**45,524**	**1.0%**
Total loans to individuals	**1,490,512**	**(25,721)**	**1,464,791**	**1.7%**
Total loans and advances to customers as at 31 December 2013	**24,092,932**	**(995,321)**	**23,097,611**	**4.1%**

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 31 March 2014 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	334,519	(110,672)	223,847	33.1%
Specialised loans to legal entities	85,600	(23,377)	62,223	27.3%
Consumer and other loans to individuals	6,438	(6,438)	–	100.0%
Credit cards and overdrafts	4,360	(4,360)	–	100.0%
Mortgage loans to individuals	6,954	(6,954)	–	100.0%
Car loans to individuals	419	(419)	–	100.0%
Total non-performing loans to customers as at 31 March 2014 (unaudited)	**438,290**	**(152,220)**	**286,070**	**34.7%**

As at 31 December 2013 the outstanding non-performing loans were as follows:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities	328,554	(118,495)	210,059	36.1%
Specialised loans to legal entities	74,295	(23,681)	50,614	31.9%
Consumer and other loans to individuals	5,925	(5,925)	–	100.0%
Credit cards and overdrafts	3,841	(3,841)	–	100.0%
Mortgage loans to individuals	8,040	(8,040)	–	100.0%
Car loans to individuals	438	(438)	–	100.0%
Total non-performing loans to customers as at 31 December 2013	**421,093**	**(160,420)**	**260,673**	**38.1%**

Movements in allowances for impairment losses for the periods ended 31 March 2014 and 31 December 2013 are disclosed in Note 19.

Information on loans which terms have been renegotiated as at 31 March 2014 and 31 December 2013 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 renegotiated loans before allowance for loan impairment	109,020	149,589	**258,609**
Total renegotiated loans before allowance for loan impairment as at 31 March 2014 (unaudited)	**109,020**	**149,589**	**258,609**

	Commercial loans to legal entities	*Specialised loans to legal entities*	*Total*
Not past due renegotiated loans before allowance for loan impairment	56,155	240,784	**296,939**
Total renegotiated loans before allowance for loan impairment as at 31 December 2013	**56,155**	**240,784**	**296,939**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

6. Loans to customers (continued)

The loans to legal entities within the business size of borrowers as at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014 (unaudited)	*31 December 2013*
Largest clients	7,869,434	8,744,361
Large clients	11,684,723	11,055,566
Medium business	833,882	678,364
Small business	2,067,254	2,124,129
Total loans to legal entities before allowance for loan impairment	**22,455,293**	**22,602,420**

Included in commercial loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 31 March 2014 and 31 December 2013 is as follows:

	31 March 2014 (unaudited)	*31 December 2013*
Gross investment in finance lease	243,695	269,039
Unearned future finance income on finance lease	(72,282)	(73,007)
Net investment in finance lease before allowance for impairment	**171,413**	**196,032**
Less allowance for impairment	(3,896)	(8,201)
Net investment in finance lease after allowance for impairment	**167,517**	**187,831**

The contractual maturity analysis of net investments in finance lease as at 31 March 2014 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	78,457	(1,783)	76,674
Later than 1 year but not later than 5 years	92,915	(2,112)	90,803
Later than 5 years	41	(1)	40
Total as at 31 March 2014 (unaudited)	**171,413**	**(3,896)**	**167,517**

The contractual maturity analysis of net investments in finance lease as at 31 December 2013 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	88,562	(3,705)	84,857
Later than 1 year but not later than 5 years	107,224	(4,486)	102,738
Later than 5 years	246	(10)	236
Total as at 31 December 2013	**196,032**	**(8,201)**	**187,831**

The analysis of minimal finance lease receivables as at 31 March 2014 and 31 December 2013 per contractual maturity is as follows:

	31 March 2014 (unaudited)	*31 December 2013*
Not later than 1 year	115,670	126,126
Later than 1 year but not later than 5 years	127,976	142,622
Later than 5 years	49	291
Total	**243,695**	**269,039**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

6. Loans to customers (continued)

Economic sector risk concentrations within the customer loan portfolio as at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014 (unaudited)		***31 December 2013***	
	Amount	***%***	***Amount***	***%***
Financial services	4,162,120	17.5	3,960,573	16.4
Machinery and equipment	4,125,938	17.3	4,092,561	17.0
Trade and catering	2,779,846	11.7	2,602,930	10.8
Food	2,347,692	9.8	2,501,140	10.4
Timber and woodworking industry	2,267,554	9.5	2,306,927	9.6
Chemical and oil refinery industry	1,634,351	6.9	1,530,524	6.4
Individuals	1,390,652	5.8	1,490,512	6.2
Construction	1,105,377	4.6	1,266,007	5.3
Building materials	721,526	3.0	726,741	3.0
Transport and communication	718,989	3.0	778,751	3.1
Energy and fuel	598,846	2.5	725,530	3.0
Light industry	493,220	2.1	620,386	2.6
Mining	466,160	2.0	553,363	2.3
Metallurgy	302,160	1.3	305,803	1.3
Agriculture	278,674	1.2	295,975	1.2
Other	452,840	1.8	335,209	1.4
Total loans to customers before allowance for loan impairment	**23,845,945**	**100.0**	**24,092,932**	**100.0**

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

	31 March 2014 (unaudited)	***31 December 2013***
Loans collateralized by real estate or rights thereon	6,002,054	5,450,646
Loans collateralized by equipment and rights thereon	4,677,214	5,263,213
Loans collateralized by lien over receivables	3,394,631	3,557,337
Loans collateralized by guarantees of the Government and local authorities	2,730,894	2,879,531
Loans collateralized by inventories	2,467,309	2,670,222
Loans collateralized by guarantees of enterprises	2,259,998	2,093,025
Loans collateralized by guarantees of individuals	732,841	797,058
Loans collateralized by cash or guarantee deposits	616,140	700,358
Loans collateralized by other types of collateral	964,864	681,542
	23,845,945	**24,092,932**
Less allowance for loan impairment	(987,585)	(995,321)
Total loans to customers	**22,858,360**	**23,097,611**

As at 31 March 2014 the aggregated loan amount of 20 largest borrowers was BYR 7,953,304 million or 33.4% of the total gross loan portfolio of the Group (31 December 2013: BYR 7,767,610 million or 32.2%).

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

As at 31 March 2014 loans to customers included specialized loan in USD in the amount of BYR 248,541 million provided to one borrower (31 December 2013: BYR 251,454 million in USD provided to one borrower) at 0.2%-1.5% interest margin. The Group attracted long-term loans from the National bank of the Republic of Belarus to provide this loan (Note 12).

During the year ended 31 December 2013 the Group has entered into Funded Participation Deals. As at 31 March 2014 The Group issued loans to its corporate customers funded by the banks of Sberbank of Russia Group in amount of BYR 6,226,195 million (31 December 2013: 4,746,833). As a result of the transfer of credit risks and rewards on related financial assets in the share of 99% took place and respective part of loans to customers was derecognised.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

7. Non-current assets held for sale

As at 31 March 2014 and 31 December 2013 non-current assets held for sale include premises previously used by the Group and machinery equipment of a bankrupted borrower. The Management has elaborated a plan to dispose premises and equipment. The sale transactions for these assets are expected to be completed in 2014.

8. Investments available for sale

Investments available for sale comprise:

	Interest to nominal, %	*31 March 2014 (unaudited)*	*Interest to nominal, %*	*31 December 2013*
Long-term government bonds in foreign currency	6.85%-7.25%	642,812	6.85%-7.25%	650,601
Republic of Belarus Eurobonds	8.75%	233,421	8.75%	261,760
Bonds of belarusian banks	6.00%-27.50%	115,086	–	–
Bonds of belarusian companies	–	–	8.00%-9.20%	14,440
Shares	–	20,574	–	20,832
Bonds issued by municipalities	23.50%	8,699	23.50%	11,449
Total investments available for sale		**1,020,592**		**959,082**

9. Investments held to maturity

Investments held to maturity comprise:

	Currency	*Maturity date*	*Interest to nominal*	*31 March 2014 (unaudited)*
Republic of Belarus Eurobonds	USD	August 2015	8.75%	170,376
Coupon long-term government bonds	BYR	September 2014	2.00%	28,957
Bonds issued by municipalities	BYR	July 2020	23.50%	10,614
Total investments held to maturity				**209,947**

	Currency	*Maturity date*	*Interest to nominal*	*31 December 2013*
Republic of Belarus Eurobonds	USD	August 2015	8.75%	176,073
Coupon long-term government bonds	BYR	September 2014	2.00%	29,626
Bonds issued by municipalities	BYR	July 2020	23.50%	11,143
Total investments held to maturity				**216,842**

10. Premises and equipment and intangible assets

For the 3 months ended 31 March 2014 the Group's premises, equipment, and intangible assets additions amounted to BYR 80,707 million (for the 3 months ended 31 March 2013 – BYR 54,175 million), disposals of premises, equipment, and intangible assets amounted to 14,344 million (for the 3 months ended 31 March 2013 – BYR 4,445 million).

As at 31 March 2014 included in computer equipment are fully depreciated items in the amount of BYR 121,855 million (31 December 2013: BYR 141,235 million), in vehicles in the amount of BYR 23,917 million (31 December 2013: BYR24,259 million) and in furniture and other assets in the amount of BYR 137,399 million (31 December 2013: BYR 144,921 million).

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

11. Other assets

Other assets comprise:

	31 March 2014 (unaudited)	*31 December 2013*
Other financial assets		
Settlement accounts on other banking services	78,280	94,219
Accrued income	16,159	12,036
Accounts receivables due to business transactions to be settled in cash	1,526	297,444
Restricted cash balances	315	1,099
	96,280	**404,798**
Other non-financial assets		
Taxes recoverable and prepaid, other than income taxes	60,734	72,003
Prepayments for premises, equipment and intangible assets	41,602	30,950
Precious metals	28,671	30,780
Prepaid expenses	22,639	40,930
Inventory	12,532	20,854
Prepayments for assets to be transferred into finance lease	590	667
Other advances and prepayments	22,252	10,404
	189,020	**206,588**
Total other assets	**285,300**	**611,386**

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

As at 31 March 2014 and 31 December 2013 the amounts due to the National bank of the Republic of Belarus included loans from the National bank of the Republic of Belarus totaling BYR 248,465 million and BYR 251,377 million, respectively, granted in USD for further financing of one borrower (Note 6). Contractually the Bank bears all credit risk and earns 0.2%-1.5% interest margin on this agreement.

13. Due to banks

Due to banks comprise:

	31 March 2014 (unaudited)	*31 December 2013*
Loans from banks and financial institutions	8,115,991	9,798,662
Deposits in precious metals	2,058,036	1,930,459
Correspondent accounts of banks	186,132	116,638
Total due to banks	**10,360,159**	**11,845,759**

As at 31 March 2014 included in loans from banks and financial institutions are deposits of BYR 81,420 million (31 December 2013: BYR 0 million) held as collateral for issued bank guarantee.

As at 31 March 2014 a balance of due to banks amounting to BYR 8,092,104 million was due to three counterparties, including BYR 6,540,132 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

As at 31 December 2013 a balance of due to banks amounting to BYR 9,976,432 million was due to four counterparties, including BYR 7,912,813 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

14. Due to individuals and due to corporate customers

Due to individuals and corporate customers comprise:

	31 March 2014 (unaudited)	*31 December 2013*
Individuals:		
-Current/demand accounts	1,940,414	1,988,215
-Term deposits	8,331,216	7,643,299
Total due to individuals	**10,271,630**	**9,631,514**
State and public organisations:		
-Current/settlement accounts	96,418	121,899
-Term deposits	287,105	277,522
Total due to state and public organisations	**383,523**	**399,421**
Other corporate customers:		
-Current/settlement accounts	3,333,929	3,457,144
-Term deposits	4,324,861	5,174,018
Total due to other corporate customers	**7,658,790**	**8,631,162**
Total due to corporate customers	**8,042,313**	**9,030,583**
Total due to individuals and corporate customers	**18,313,943**	**18,662,097**

As at 31 March 2014 included in due to corporate customers are deposits of BYR 1,026,370 million (31 December 2013: BYR 1,364,329 million) held as collateral for irrevocable commitments under import letters of credit.

As at 31 March 2014 the aggregated balances of 20 largest customers was BYR 3,270,197 million or 17.9% of total due to individuals and corporate customers (31 December 2013: BYR 3,760,120 million or 20.1%).

Industry sector concentrations within customer accounts are as follows:

	31 March 2014 (unaudited)		*31 December 2013*	
	Amount	*%*	*Amount*	*%*
Individuals	10,271,630	56.1	9,631,514	51.6
Trade	1,480,147	8.1	1,186,508	6.3
Machinery and equipment	1,375,678	7.5	1,297,572	7.0
Oil refinery and chemical industry	963,415	5.3	1,035,098	5.5
Construction	950,023	5.2	1,205,137	6.5
Insurance and other financial services	917,865	5.0	1,173,340	6.3
Transport and communications	558,845	3.1	644,126	3.5
Energy	307,849	1.7	254,157	1.4
Education	205,033	1.1	204,557	1.1
Food	201,581	1.1	100,680	0.5
State and government bodies	199,366	1.1	199,125	1.1
Building materials industry	167,348	0.9	195,080	1.0
Woodworking and timber industry	115,055	0.6	686,305	3.7
Agriculture	42,447	0.2	68,538	0.4
Metallurgy	38,564	0.2	55,288	0.3
Mining	37,743	0.2	49,990	0.3
Light industry	34,966	0.2	65,126	0.3
Other	446,388	2.4	609,956	3.2
Total due to individuals and corporate customers	**18,313,943**	**100.0**	**18,662,097**	**100.0**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

15. Debt securities issued

Debt securities issued comprise:

	31 March 2014 (unaudited)	*31 December 2013*
Bonds issued to legal entities	740,443	625,582
Bonds issued to individuals	174,006	181,936
Certificates of deposit	2,954	4,555
Saving certificates	2	2
Total debt securities issued	**917,405**	**812,075**

Bonds issued to legal entities are interest-bearing securities issued by the Group. They are denominated in BYR, USD, RUB and Euro and have maturity dates from “on demand” to March 2016 (31 December 2013: from “on demand” to December 2015). Interest rates on such bonds vary from 4.5-7.5% (for bonds in USD, EUR and RUB) to 20.5-23.5% (for bonds in BYR) p.a. (31 December 2013: from 18% to 23.5% p.a.).

Bonds issued to individuals are interest-bearing securities issued by the Group. They are denominated in BYR, USD and Euro and have maturity dates from “on demand” to October 2014 (31 December 2013: from “on demand” to October 2014). Interest rates on such bonds vary from 7.0% (for bonds in USD and EUR) to 24.5% (for bonds in BYR) p.a. (31 December 2013: from 7.0% to 28.0% 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 July 2014 (31 December 2013: from “on demand” to July 2014). Interest rates on such securities vary from 15.5% to 34.0% p.a. (31 December 2013: from 15.5% to 37.0% p.a.).

16. Other liabilities

Other liabilities comprise:

	31 March 2014 (unaudited)	*31 December 2013*
Other financial liabilities		
Payables for finance lease	309,593	299,552
Payables of dividends	91,253	48
Unused leave and bonus accrual	63,530	92,430
Settlement accounts on other banking services	44,211	16,648
Payments due to other contractors	36,969	46,508
Accrued contributions to deposits protection fund	30,576	28,548
Accrued fee payable under documentary transactions and transactions with plastic cards	21,373	23,743
Payables for premises and equipment	168	20,684
	597,673	**528,161**
Other non-financial liabilities		
Taxes payable, other than income taxes	42,952	96,649
Other	6,555	7,060
	49,507	**103,709**
Total other liabilities	**647,180**	**631,870**

Payables for finance lease arised from sell and lease back operations, conducted by the Group, with its own office premises. The undiscounted future minimum lease payments under financial leases at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014 (unaudited)	*31 December 2013*
Not later than 1 year	49,672	46,157
Later than 1 year and not later than 5 years	229,765	174,771
Later than 5 years	261,516	300,758
Total financial lease payments	**540,953**	**521,686**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

17. Share capital

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

	Number of shares		*Nominal amount, BYR*		*Inflation*	*Total,*
	Preferred	*Ordinary*	*Preferred*	*Ordinary*	*adjustment*	*mln. BYR*
31 December 2013	871,112	1,470,828,888	500	500	2,168,783	**2,904,633**
31 March 2014 (unaudited)	871,112	1,470,828,888	500	500	2,168,783	**2,904,633**

All ordinary shares are ranked equally and carry one vote. Preference shares are non-voting. Preference shares are entitled to annual dividend, the amount of which is determinable by annual shareholders meeting.

During the 3 months ended 31 March 2014 the Bank declared BYR 95,730 million and BYR 19 million dividends on ordinary and preference shares for the year 2013, respectively. The dividends were BYR 65 per ordinary share and BYR 22 per preference share.

During the 3 months ended 31 March 2013 the Bank declared BYR 24,300 million and BYR 20 million dividends on ordinary and preference shares for the year 2012, respectively. The dividends were BYR 17 per ordinary share and BYR 23 per preference share.

In accordance with Belarussian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with Belarusian GAAP. The Bank had approximately BYR 137,525 million of undistributed and unreserved earnings as at 31 March 2014 (unaudited) (31 December 2013: BYR 910,164 million).

18. Net interest income before loan impairment

The net interest income before allowance for loan impairment comprises:

	3 months ended 31 March 2014 (unaudited)	*3 months ended 31 March 2013 (unaudited)*
Interest income		
Interest on loans to corporate customers	1,008,974	991,429
Interest on loans to individuals	102,192	85,270
Interest on due from banks	23,555	26,401
Interest on investments available for sale	18,107	29,936
Interest on investments held to maturity	5,107	31,431
Total interest income	**1,157,935**	**1,164,467**
Interest expense		
Interest on due to corporate customers	229,076	289,872
Interest on due to individuals	222,869	182,873
Interest on deposits from banks	105,522	123,252
Interest on debt securities issued	27,707	58,391
Interest on subordinated debt	11,034	10,763
Interest on deposits from National bank	4,730	14,304
Total interest expense	**600,938**	**679,455**
Contributions to deposits protection fund	**31,021**	**28,279**
Net interest income before allowance for loan impairment	**525,976**	**456,733**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

19. Allowance for loan impairment, other provisions

The movements in allowance for loan impairment were as follows:

			Loans to individuals				
	Commercial loans	***Specialized loans***	***Consumer and other loans***	***Credit cards and overdrafts***	***Mortgage loans***	***Car loans***	***Total***
31 December 2012	**451,361**	**591,166**	**14,044**	**15,445**	**23,943**	**663**	**1,096,622**
(Reversal of allowance) / allowance charge for the period	(88,455)	111,246	(5,655)	(8,970)	(7,965)	52	**253**
Inflation effect	(23,044)	(30,181)	(717)	(789)	(1,222)	(34)	**(55,987)**
31 March 2013 (unaudited)	**339,862**	**672,231**	**7,672**	**5,686**	**14,756**	**681**	**1,040,888**
31 December 2013	**351,806**	**617,794**	**7,866**	**5,202**	**12,172**	**481**	**995,321**
(Reversal of allowance) / allowance charge for the period	(51,575)	82,728	2,417	1,955	3,992	(37)	**39,480**
Inflation effect	(16,689)	(29,307)	(373)	(247)	(577)	(23)	**(47,216)**
31 March 2014 (unaudited)	**283,542**	**671,215**	**9,910**	**6,910**	**15,587**	**421**	**987,585**

The movements in provision on other transactions were as follows:

	Guarantees and other commitments
31 December 2012	**13,240**
Provision	89
Inflation effect	(676)
31 March 2013 (unaudited)	**12,653**
31 December 2013	**13,463**
Reversal of provision	(9,126)
Inflation effect	(639)
31 March 2014 (unaudited)	**3,698**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

20. Fee and commission income and expense

Fee and commission income and expense comprise:

	3 months ended 31 March 2014 (unaudited)	*3 months ended 31 March 2013 (unaudited)*
Fee and commission income		
Other operations with plastic cards	78,230	72,729
Salary transfer on card accounts and related cash withdrawals	70,120	74,913
Settlement and cash operations with clients	53,393	48,305
Agent's fees	41,872	470
Documentary operations	32,503	45,270
Foreign exchange operations	23,217	22,388
Cash delivery and collection	15,418	12,959
Securities operations	322	797
Settlements with banks	99	2,356
Other	1,425	1,198
Total fee and commission income	**316,599**	**281,385**
Fee and commission expense		
Plastic cards operations	35,526	32,529
Documentary operations	30,322	28,523
Foreign exchange and cash operations	1,430	1,189
Cash delivery and collection	1,075	1,512
Correspondent bank services	903	3,060
Other	2,104	287
Total fee and commission expense	**71,360**	**67,100**

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

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

	3 months ended 31 March 2014 (unaudited)	*3 months ended 31 March 2013 (unaudited)*
Net gains arising from trading in foreign currencies	90,798	47,124
Net foreign exchange translation (losses)/gains	(303,842)	91,812
Net gains/(losses) from operations with foreign currency derivatives	142,585	(63,593)
Total net (loss)/gain on foreign exchange operations	**(70,459)**	**75,343**

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

	3 months ended 31 March 2014 (unaudited)	*3 months ended 31 March 2013 (unaudited)*
Net gains from operations with precious metals	26,383	5,092
Net result arising from revaluation of precious metals	(253,114)	118,884
Net gains/(losses) from operations with precious metals derivatives	156,110	(155,085)
Total net loss from operations with precious metals	**(70,621)**	**(31,109)**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

22. Other income

Other income comprises:

	3 months ended 31 March 2014 (unaudited)	***3 months ended 31 March 2013 (unaudited)***
Income from non-banking activities	25,304	1,038
Repayment of loans previously written off	12,707	2,759
Penalties received	1,053	375
Income from sale of premises, equipment and intangible assets	340	10,859
Income from operating leases	255	94
Other	6,099	3,774
Total other income	**45,758**	**18,899**

23. Operating expenses

Operating expenses comprise:

	3 months ended 31 March 2014 (unaudited)	***3 months ended 31 March 2013 (unaudited)***
Staff costs	192,683	144,942
Social security contribution	47,422	39,210
Other staff expenses	1,985	2,087
Personnel expenses	**242,090**	**186,239**
Depreciation and amortization	47,868	38,174
Expenses on maintenance of banking software	22,666	18,724
Premises and equipment maintenance	20,875	12,368
Operating leases	19,527	8,492
Taxes, other than income taxes	14,000	11,424
Security expenses	8,077	8,735
Advertising costs	6,445	10,921
Public utilities payments	4,428	7,143
Vehicles maintenance and fuel expenses	2,074	2,446
Legal and consulting services	1,967	1,307
Stationery	1,964	6,535
Communications	1,698	1,547
Charity and sponsorship expenses	1,040	1,510
Other expenses	55,933	21,840
Other operating expenses	**208,562**	**151,166**
Total operating expenses	**450,652**	**337,405**

24. Commitments and contingencies

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

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

Provision for losses on contingent liabilities amounted to BYR 3,698 million and BYR 13,463 million as at 31 March 2014 and 31 December 2013, respectively (Note 19).

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24. Commitments and contingencies (continued)

As at 31 March 2014 and 31 December 2013 the nominal or contract amounts of contingent liabilities were:

	31 March 2014 (unaudited)	***31 December 2013***
Contingent liabilities and credit commitments		
Commitments on loans and unused credit lines	1,109,987	1,798,664
Uncovered letters of credit	1,436,934	1,682,568
Letters of credit secured by cash	1,026,370	1,364,330
Guarantees issued and similar commitments	554,409	488,415
Total contingent liabilities and credit commitments	**4,127,700**	**5,333,977**

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancelable operating leases as at 31 March 2014 and 31 December 2013 are as follows:

	31 March 2014 (unaudited)	***31 December 2013***
Not later than 1 year	45,190	47,103
Later than 1 year and not later than 5 years	77,869	78,101
Later than 5 years	8,078	10,958
Total operating lease commitments	**131,137**	**136,162**

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

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. As at 31 March 2014 and 31 December 2013 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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

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

In 2011, Belarus experienced significant deterioration of the macroeconomic situation. The deterioration was primarily due to the high current account deficit, decrease in, and restriction on, external financing sources, and significant shortage of foreign currency inflow at the beginning of 2011. These factors resulted in a significant decrease in the gold and foreign currency reserves of the National bank in the first quarter of 2011, which was followed by foreign currency shortages and a significant decrease in the official exchange rate accompanied by the growth of inflation and an increase in the prime refinancing rate up to 45% as of 31 December 2011. The rate of inflation in 2011 was 108.7% (Note 2).

The significant financial support provided by Russia (extension of loans in 2011 and 2012 and participation in privatization of state assets at the end of 2011) and a positive foreign trade balance contributed to a significant increase in reserves of the National bank and stabilization of the macroeconomic situation in the country in 2012. According to the Government and the National bank, the reserves as of 31 December 2012 are sufficient and stable enough to avoid foreign currency shortages and to satisfy the external financing needs of the country in the short and medium term. The official exchange rate in 2012 remained virtually unchanged. The inflation rate in 2012 was 21.8%, the prime refinancing rate was reduced to 30% as of 31 December 2012.

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24. Commitments and contingencies (continued)

The year 2013 saw obvious signs of stabilization of the macroeconomic situation as compared to 2012. Inflation rate dropped to 16.5% in 2013. The basic refinancing rate was reduced to 23.5% as of 31 December 2013.The GDP grew by 0.9% in 2013. In the first half of 2013 the official exchange rate of the Belarusian rouble was relatively stable, however, gradual weakening of Belarusian rouble against major currencies began in June. In the second half of 2013 the banking system faced liquidity crisis, which lead to higher rates in Belarusian roubles at resource market against the beginning of 2013. In December 2013 Russia provided additional financial support in the form of loan in the amount of US$ 2 billion with the first disbursement of US$ 440 million on 31 December 2013. This had a positive effect on the rate policy at the end of the year.

While management of the Group believes it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the results and financial position of the Group and its borrowers. The degree of such impact on the Group's financial statements is not currently determinable.

25. Transactions with related parties

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

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

The Group had the following transactions outstanding as at 31 March 2014 and 31 December 2013 with related parties:

	31 March 2014 (unaudited)		***31 December 2013***	
	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	**129,213**	**4,327,455**	**151,566**	**5,049,708**
- parent bank	129,213		151,566	
Loans to corporate customers, gross	**38,057**	**22,455,293**	**47,217**	**22,602,420**
- associates	38,057		47,217	
Loans to individuals, gross	**20,746**	**1,390,652**	**25,697**	**1,490,512**
- key management personnel	20,746		25,697	
Allowance for impairment losses	**862**	**987,585**	**3,355**	**995,321**
- associates	372		2,912	
- key management personnel	490		443	
Investments in associates	**68,624**	**68,624**	**60,688**	**60,688**
Due to banks	**6,707,901**	**10,360,159**	**7,977,547**	**11,845,759**
- parent bank	6,540,132		7,912,813	
- entities under common control	167,769		64,734	
Subordinated debt	**678,609**	**678,609**	**686,791**	**686,791**
- parent bank	678,609		686,791	
Due to individuals	**34,699**	**10,271,630**	**26,762**	**9,631,514**
- key management personnel	34,699		26,762	
Due to corporate customers	**84,722**	**8,042,313**	**373,788**	**9,030,583**
- associates	84,722		373,788	
Commitments and contingencies	**164,561**	**4,127,700**	**166,079**	**5,333,977**
- parent bank	163,842		165,728	
- key management personnel	719		351	

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25. Transactions with related parties (continued)

On 29 December 2011 the Group received a subordinated loan from its parent Sberbank of Russia in the amount of EUR 40 million amounting to BYR 542,887 million and BYR 549,477 million as of 31 March 2014 and 31 December 2013 respectively at an interest rate of 6.45%, repayable on 29 December 2020. On 29 October 2013 the Group received a subordinated loan from its parent Sberbank of Russia in the amount of EUR 10 million amounting to to BYR 135,722 million and BYR 137,314 million as of 31 March 2014 and 31 December 2013 respectively at an interest rate of 6.45%, repayable on 29 October 2020

Included in the interim condensed consolidated income statement for the 3 months ended 31 March 2014 and 3 months ended 31 March 2013 are the following amounts which arose due to transactions with related parties:

	3 months ended 31 March 2014 (unaudited)		***3 months ended 31 March 2013 (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	**10,000**	**1,157,935**	**3,501**	**1,164,467**
- parent bank	748		880	
- associates	8,834		2,257	
- key management personnel	418		364	
Fee and commission income	**42,027**	**316,599**	**498**	**281,385**
- parent bank	42,008		475	
- associates	17		17	
- key management personnel	2		6	
Interest expense	**(88,603)**	**(600,938)**	**(86,846)**	**(679,455)**
- parent bank	(87,421)		(84,873)	
- associates	(402)		(729)	
- key management personnel	(780)		(1,244)	
Allowance for loan impairment	**(2,493)**	**(39,480)**	**(7,893)**	**(253)**
- associates	(2,539)		(7,503)	
- key management personnel	46		(390)	
Fee and commission expense	**(21,547)**	**(71,360)**	**(16,912)**	**(67,100)**
- parent bank	(21,547)		(16,912)	
Staff costs	**(17,001)**	**(192,683)**	**(4,670)**	**(144,942)**
- key management personnel	(17,001)		(4,670)	

During the 3 months ended 31 March 2014 and 3 months ended 31 March 2013 remuneration of key management personnel comprised of short-term employee benefits.

26. Segment reporting

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

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

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

26. Segment reporting (continued)

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.

Segment information about these businesses is presented below:

	Retail banking	***Corporate banking***	***Unallocated***	***31 March 2014 / 3 months ended 31 March 2014 Total (unaudited)***
Interest income	102,192	1,008,974	46,769	**1,157,935**
Interest expense	(229,111)	(250,541)	(121,286)	**(600,938)**
Allowance for impairment losses on interest bearing assets	(8,327)	(31,153)	–	**(39,480)**
Contributions to deposits protection fund	(31,021)	–	–	**(31,021)**
Fee and commission income	155,787	158,058	2,754	**316,599**
Fee and commission expense	(35,526)	(34,931)	(903)	**(71,360)**
Net losses arising from investment securities available for sale	–	–	(1,784)	**(1,784)**
Net (losses)/gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation (losses)/gains	18,270	62,060	(150,789)	**(70,459)**
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains	211	499	(71,331)	**(70,621)**
Other provisions	–	9,126	–	**9,126**
Other income	–	–	45,758	**45,758**
Operating (expense)/income	(27,525)	922,092	(250,812)	**643,755**
Income/(expense) from other segments	146,762	(444,629)	297,867	**–**
Total operating income	**119,237**	**477,463**	**47,055**	**643,755**
Operating expenses	–	–	(450,652)	**(450,652)**
Share of results of an associate	–	–	10,815	**10,815**
Profit/(loss) before loss on net monetary position	**119,237**	**477,463**	**(392,782)**	**203,918**
Loss on net monetary position due to inflation effect	1,291	(21,958)	(81,266)	**(101,933)**
Profit/(loss) before income taxes	**120,528**	**455,505**	**(474,048)**	**101,985**
Income tax expense	–	–	(61,612)	**(61,612)**
Net profit/(loss)	**120,528**	**455,505**	**(535,660)**	**40,373**
Segment assets	**1,390,652**	**22,455,293**	**11,322,299**	**35,168,244**
Segment liabilities	**(10,445,638)**	**(8,785,710)**	**(12,075,177)**	**(31,306,525)**
Other segment items				
Loans to customers	1,390,652	22,455,293	–	**23,845,945**
Customer accounts	(10,271,630)	(8,042,313)	–	**(18,313,943)**
Debt securities issued	(174,008)	(743,397)	–	**(917,405)**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

26. Segment reporting (continued)

	Retail banking	*Corporate banking*	*Unallocated*	*31 December 2013/ 3 months ended 31 March 2013 Total (unaudited)*
Interest income	85,270	991,430	87,767	**1,164,467**
Interest expense	(190,116)	(341,020)	(148,319)	**(679,455)**
Allowance for impairment losses on interest bearing assets	22,539	(22,792)	–	**(253)**
Contributions to deposits protection fund	(28,279)	–	–	**(28,279)**
Fee and commission income	157,100	100,142	24,143	**281,385**
Fee and commission expense	(23,096)	(37,358)	(6,646)	**(67,100)**
Net losses arising from investment securities available for sale	–	–	(726)	**(726)**
Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains/(losses)	(25,895)	71,700	29,538	**75,343**
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations losses	–	–	(31,109)	**(31,109)**
Other provisions	–	(89)	–	**(89)**
Other income	–	–	18,899	**18,899**
Operating (expense)/income	(2,477)	762,013	(26,453)	**733,083**
Income/(expense) from other segments	269,262	(360,375)	91,113	**–**
Total operating income	**266,785**	**401,638**	**64,660**	**733,083**
Operating expenses	–	–	(337,405)	**(337,405)**
Share of results of an associate	–	–	13,091	**13,091**
Profit/(loss) before loss on net monetary position	**266,785**	**401,638**	**(259,654)**	**408,769**
Loss on net monetary position due to inflation effect	389	(10,696)	(104,157)	**(114,464)**
Profit/(loss) before income taxes	**267,174**	**390,942**	**(363,811)**	**294,305**
Income tax expense	–	–	(75,053)	**(75,053)**
Net profit/(loss)	**267,174**	**390,942**	**(438,864)**	**219,252**
Segment assets	**1,490,512**	**22,602,420**	**13,001,463**	**37,094,395**
Segment liabilities	**(9,813,452)**	**(9,660,720)**	**(13,699,504)**	**(33,173,676)**
Other segment items				
Loans to customers	1,490,512	22,602,420	–	**24,092,932**
Customer accounts	(9,631,514)	(9,030,583)	–	**(18,662,097)**
Debt securities issued	(181,938)	(630,137)	–	**(812,075)**

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

27. Fair value of financial instruments

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

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

	31 March 2014 (unaudited)			***31 December 2013***		
	Carrying value	***Fair value***	***Unrecognised (loss)/gain***	***Carrying value***	***Fair value***	***Unrecognised (loss)***
Cash and cash equivalents	4,327,455	4,327,455	–	5,049,708	5,049,708	–
Mandatory cash balances with the National bank of the Republic of Belarus	187,443	187,443	–	202,348	202,348	–
Due from banks	66,465	66,465	–	75,102	75,102	–
Loans to corporate customers	21,500,536	21,351,909	(148,627)	21,632,820	21,498,037	(134,783)
Loans to individuals	1,357,824	1,354,952	(2,872)	1,464,791	1,462,789	(2,002)
Investments held to maturity	209,947	207,309	(2,638)	216,842	211,704	(5,138)
Other financial assets	96,280	96,280	–	404,798	404,798	–
Loans from the National bank of the Republic of Belarus	248,465	248,465	–	251,377	251,377	–
Due to banks	10,360,159	10,371,773	11,614	11,845,759	11,845,759	–
Due to individuals	10,271,630	10,271,630	–	9,631,514	9,631,514	–
Due to corporate customers	8,042,313	8,042,478	165	9,030,583	9,027,718	(2,865)
Debt securities issued	917,405	917,405	–	812,075	812,075	–
Other financial liabilities	597,673	597,673	–	528,161	528,161	–
Subordinated debt	678,609	678,609	–	686,791	686,791	–

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

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

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

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27. Fair value of financial instruments (continued)

The Group's fair value valuation approach for certain significant classes of assets and liabilities recognised at fair value is as follows:

	Level 1	*Level 2*	*Level 3*	*Total*
As at 31 March 2014 (unaudited)				
Assets measured at fair value				
Derivative financial instruments	864	454	4,568,389	**4,569,707**
Investments available for sale	233,421	766,597	–	**1,000,018**
Equity investments available for sale	5,857	–	–	**5,857**
Office premises	–	–	763,511	**763,511**
Premises held for sale	–	–	7,228	**7,228**
Total assets measured at fair value	**240,142**	**767,051**	**5,339,128**	**6,346,321**
Liabilities measured at fair value				
Derivative financial instruments	12,069	7,728	1,534	**21,331**
Total liabilities measured at fair value	**12,069**	**7,728**	**1,534**	**21,331**
As at 31 December 2013				
Assets measured at fair value				
Derivative financial instruments	131	118	5,130,583	**5,130,832**
Investments available for sale	261,760	676,490	–	**938,250**
Equity investments available for sale	6,112	–	–	**6,112**
Office premises	–	–	766,540	**766,540**
Premises held for sale	–	–	14,341	**14,341**
Total assets measured at fair value	**268,003**	**676,608**	**5,911,464**	**6,856,075**
Liabilities measured at fair value				
Derivative financial instruments	6,522	4,066	–	**10,588**
Total liabilities measured at fair value	**6,522**	**4,066**	**–**	**10,588**

The following tables show an analysis of financial assets and liabilities for which fair values are disclosed by level of the fair value hierarchy:

As at 31 March 2014 (unaudited)	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets for which fair values are disclosed				
Cash and cash equivalents	4,327,455	–	–	**4,327,455**
Mandatory cash balances with the National bank of the Republic of Belarus	187,443	–	–	**187,443**
Due from banks	–	66,465	–	**66,465**
Loans to corporate customers	–	–	21,351,909	**21,351,909**
Loans to individuals	–	–	1,354,952	**1,354,952**
Investments held to maturity	171,206	36,103	–	**207,309**
Other financial assets	–	–	96,280	**96,280**
Total financial assets for which fair values are disclosed	**4,686,104**	**102,568**	**22,803,141**	**27,591,813**
Financial liabilities for which fair values are disclosed				
Loans from the National bank of the Republic of Belarus	–	248,465	–	**248,465**
Due to banks	–	10,371,773	–	**10,371,773**
Due to individuals	–	–	10,271,630	**10,271,630**
Due to corporate customers	–	–	8,042,478	**8,042,478**
Debt securities issued	–	917,405	–	**917,405**
Subordinated debt	–	678,609	–	**678,609**
Other financial liabilities	–	–	597,673	**597,673**
Total financial liabilities for which fair values are disclosed	**–**	**12,216,252**	**18,911,781**	**31,128,033**

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27. Fair value of financial instruments (continued)

As at 31 December 2013	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets for which fair values are disclosed				
Cash and cash equivalents	5,049,708	–	–	**5,049,708**
Mandatory cash balances with the National bank of the Republic of Belarus	202,348	–	–	**202,348**
Due from banks	–	75,102	–	**75,102**
Loans to corporate customers	–	–	21,498,037	**21,498,037**
Loans to individuals	–	–	1,462,789	**1,462,789**
Investments held to maturity	172,943	38,761	–	**211,704**
Other financial assets	–	–	404,798	**404,798**
Total financial assets for which fair values are disclosed	**5,424,999**	**113,863**	**23,365,624**	**28,904,486**
Financial liabilities for which fair values are disclosed				
Loans from the National bank of the Republic of Belarus	–	251,377	–	**251,377**
Due to banks	–	11,845,759	–	**11,845,759**
Due to individuals	–	–	9,631,514	**9,631,514**
Due to corporate customers	–	–	9,027,718	**9,027,718**
Debt securities issued	–	812,075	–	**812,075**
Subordinated debt	–	686,791	–	**686,791**
Other financial liabilities	–	–	528,161	**528,161**
Total financial liabilities for which fair values are disclosed	**–**	**13,596,002**	**19,187,393**	**32,783,395**

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

	At 1 January 2014	*Total loss recorded in profit or loss*	*Settlements*	*Inflation effect*	*At 31 March 2014* **(unaudited)**
Financial assets					
Derivative financial assets	5,130,583	289,101	(607,914)	(243,381)	4,568,389
Total level 3 financial assets	**5,130,583**	**289,101**	**(607,914)**	**(243,381)**	**4,568,389**
Financial liabilities					
Derivative financial liabilities	–	(1,534)	–	–	(1,534)
Total level 3 financial liabilities	**–**	(1,534)	**–**	**–**	**(1,534)**

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

	31 March 2014 (unaudited)		*31 December 2013*	
	Carrying amount	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
Financial assets				
Derivative financial instruments:	4,568,389	(163,716)	5,130,583	(184,911)
- foreign currency derivatives	3,222,312	(92,806)	3,886,658	(110,941)
- precious metals derivatives	1,346,077	(70,910)	1,243,925	(73,970)
Financial liabilities				
Derivative financial liabilities:	(1,534)	(8,301)	–	(10,176)
- foreign currency derivatives	(1,534)	(8,301)	–	(10,176)

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27. Fair value of financial instruments (continued)

The inputs used for estimation of fair values of foreign currency derivatives for 31 March 2014 and 31 December 2013 were the yield to maturity of the Belarusian Eurobonds in USD 7.17% and 7.50%, respectively. The input used for estimation of fair values of precious metals derivatives for 31 March 2014 and 31 December 2013 was the interest rate of attracting deposits in precious metals from individuals, which is 6% on both dates.

The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date − 30.5% (31 December 2013: 34.9%). Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 3.2% lower (31 December 2013: 3.2% lower), the carrying value of the precious metals derivatives would be 5.6% lower (31 December 2013: 6.3% lower).

28. Capital management

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

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

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

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

As at 31 March 2014 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 4,540,328 million and tier 1 capital amount was BYR 3,547,813 million with ratios of 15.5% and 12.1%, respectively.

As at 31 December 2013 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 4,607,509 million and tier 1 capital amount was BYR 3,599,606 million with ratios of 14.8% and 11.6%, respectively.

As at 31 March 2014 and 31 December 2013 according to the norms established by the National bank of the Republic of Belarus the capital adequacy ratios were 10.9% and 11.2%, respectively.

29. Risk management policies

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

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

In accordance with the above mentioned standards the Group has elaborated and duly implemented risk management procedures for main categories of risks inherent to the Group's operations, including credit, market, liquidity, operational risk and other risks.

The Supervisory Board is responsible for setting the strategy of risk management, while the Risk Committee, as continuing collective body of the Supervisory Board of the Bank, puts the risk management strategy into practice.

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29. Risk management policies (continued)

The process of managing and controlling different types of risks or implementation of certain functions to insure the management of individual risk groups is distributed among the specialized authorities and organization developments in the Bank.

The Supervisory Board determines the main deractions of development of the risk management system of the Bank approves the Bank's Strategic Development Plan and provides establishment and effective functioning of the risk management system and control of it realization.

The Management Board of the Bank defines objectives and tasks of risk management, organizes risk management system and evaluates the measures of risk mitigation.

Chief Risk Officer of the Bank sets objectives of the development of the Bank's risk management system within the frameworks of business strategy and strategy of risk management of the Bank and the Group, elaborates respective plans and ensures their fulfilment to the fullest and timeliest extent.

The Department of Methodology and Risk Control ensures smooth functioning of the Bank's unified system of risk management, identifies risks, conducts evaluation, monitoring and controlling of risks, elaborates the package of measures and procedures, aimed at risk limitation and mitigation.

The Underwriting Center implements an independent examination of risks (identification, assessment and analysis) for operations that bear the credit risk and makes the conclusion of the independent examination of the risks.

Assets and Liabilities Management Committee decides on topics of balance structure management, funding operations and liquidity risk control, market risk, transfer pricing, interest rates, tariffs, capital adequacy and its structure.

Major Credit Committee decides on credit operations with corporates and individual entrepreneurs, categorised as "largest", "large" or "mid-sized" client, and also on managing credit risk of financial market operations.

Minor Credit Committee decides on credit operations with corporates and individual entrepreneurs, categorised as "small" client or individuals, and other topics, relating to credit operations with these clients.

Other organization developments of the Bank provide a separate risk management functions in accordance with the requirements and approaches of the Group and local legal acts of the Bank.

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):

31 March 2014 (unaudited)	***AA***	***A***	***BBB***	***BB***	***B***	***CCC***	***Not rated***	***Total***
Cash equivalents	150,186	76,368	133,372	–	2,493,138	2,434	35,594	**2,891,092**
Mandatory cash balances with the National bank	–	–	–	–	187,443	–	–	**187,443**
Due from banks	–	–	–	–	–	66,465	–	**66,465**
Derivative financial assets	–	–	664	–	4,568,392	–	651	**4,569,707**
Loans to corporate customers	–	–	–	–	–	–	21,500,536	**21,500,536**
Loans to individuals	–	–	–	–	–	–	1,357,824	**1,357,824**
Investments available for sale	–	5,857	–	–	991,318	–	23,417	**1,020,592**
Investments held to maturity	–	–	–	–	199,335	–	10,612	**209,947**
Other financial assets	–	–	–	–	315	–	95,965	**96,280**

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29. Risk management policies (continued)

Credit risk (continued)

31 December 2013	*AA*	*A*	*BBB*	*BB*	*B*	*CCC*	*Not rated*	*Total*
Cash equivalents	550,181	503,332	156,358	–	2,209,973	2,334	9,346	**3,431,524**
Mandatory cash balances with the National bank	–	–	–	–	202,348	–	–	**202,348**
Due from banks	–	–	–	–	–	75,102	–	**75,102**
Derivative financial assets	–	–	118	–	5,130,696	–	18	**5,130,832**
Loans to corporate customers	–	–	–	–	–	–	21,632,820	**21,632,820**
Loans to individuals	–	–	–	–	–	–	1,464,791	**1,464,791**
Investments available for sale	–	6,112	–	–	912,362	–	40,608	**959,082**
Investments held to maturity	–	–	–	–	205,700	–	11,142	**216,842**
Other financial assets	–	–	–	–	1,099	–	403,699	**404,798**

As at 31 March 2014 and 31 December 2013 other financial assets comprised past due but not impaired assets in the amount of 2,326 BYR million and 1,959 BYR million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 6.

As at 31 March 2014 and 31 December 2013 the Group had neither past due nor impaired financial assets in addition to the above mentioned.

Geographical concentration

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

31 March 2014 (unaudited)	*Belarus*	*CIS Countries*	*OECD Countries*	*Non-OECD countries*	*Total*
Financial assets					
Cash and cash equivalents	3,939,562	158,152	226,397	3,344	**4,327,455**
Mandatory cash balances with the National bank	187,443	–	–	–	**187,443**
Due from banks	66,465	–	–	–	**66,465**
Derivative financial assets	4,569,043	664	–	–	**4,569,707**
Loans to corporate customers	21,481,181	19,355	–	–	**21,500,536**
Loans to individuals	1,357,824	–	–	–	**1,357,824**
Investments available for sale	1,014,735	–	5,857	–	**1,020,592**
Investments held to maturity	209,947	–	–	–	**209,947**
Other financial assets	96,280	–	–	–	**96,280**
Total financial assets	**32,922,480**	**178,171**	**232,254**	**3,344**	**33,336,249**
Financial liabilities					
Loans from the National bank	248,465	–	–	–	**248,465**
Due to banks	425,531	6,807,202	3,118,850	8,576	**10,360,159**
Derivative financial liabilities	1,541	19,685	105	–	**21,331**
Due to individuals	9,242,588	907,042	28,456	93,544	**10,271,630**
Due to corporate customers	7,886,889	16,348	3,572	135,504	**8,042,313**
Debt securities issued	917,405	–	–	–	**917,405**
Other financial liabilities	597,673	–	–	–	**597,673**
Subordinated debt	–	678,609	–	–	**678,609**
Total financial liabilities	**19,320,092**	**8,428,886**	**3,150,983**	**237,624**	**31,137,585**
Net position	**13,602,388**	**(8,250,715)**	**(2,918,729)**	**(234,280)**	

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29. Risk management policies (continued)

Geographical concentration (continued)

31 December 2013	*Belarus*	*CIS Countries*	*OECD Countries*	*Non-OECD countries*	*Total*
Financial assets					
Cash and cash equivalents	3,836,132	156,762	1,053,491	3,323	**5,049,708**
Mandatory cash balances with the National bank	202,348	–	–	–	**202,348**
Due from banks	75,102	–	–	–	**75,102**
Derivative financial assets	5,130,714	118	–	–	**5,130,832**
Loans to corporate customers	21,611,511	21,309	–	–	**21,632,820**
Loans to individuals	1,464,791	–	–	–	**1,464,791**
Investments available for sale	952,970	–	6,112	–	**959,082**
Investments held to maturity	216,842	–	–	–	**216,842**
Other financial assets	404,798	–	–	–	**404,798**
Total financial assets	**33,895,208**	**178,189**	**1,059,603**	**3,323**	**35,136,323**
Financial liabilities					
Loans from the National bank	251,377	–	–	–	**251,377**
Due to banks	228,951	8,584,732	3,021,714	10,362	**11,845,759**
Derivative financial liabilities	1,482	9,106	–	–	**10,588**
Due to individuals	8,980,933	571,279	34,403	44,899	**9,631,514**
Due to corporate customers	8,876,680	7,814	3,016	143,073	**9,030,583**
Debt securities issued	812,075	–	–	–	**812,075**
Other financial liabilities	528,161	–	–	–	**528,161**
Subordinated debt	–	686,791	–	–	**686,791**
Total financial liabilities	**19,679,659**	**9,859,722**	**3,059,133**	**198,334**	**32,796,848**
Net position	**14,215,549**	**(9,681,533)**	**(1,999,530)**	**(195,011)**	

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29. Risk management policies (continued)

Liquidity risk

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

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

31 March 2014 (unaudited)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*No stated maturity*	*Total*
Assets								
Cash and cash equivalents	4,327,455	–	–	–	–	–	–	**4,327,455**
Mandatory cash balances with the National bank	69,931	61,379	28,192	24,874	3,067	–	–	**187,443**
Due from banks	–	8,350	10,055	32,740	15,320	–	–	**66,465**
Derivative financial assets	1,098	220	1,964,174	2,604,215	–	–	–	**4,569,707**
Loans to corporate customers	1,638,717	6,608,482	3,185,834	6,162,970	3,616,858	287,675	–	**21,500,536**
Loans to individuals	46,187	101,722	192,101	405,427	598,297	14,090	–	**1,357,824**
Non-current asset held for sale	–	–	12,872	–	–	–	–	**12,872**
Investments available for sale	1,317	7,053	–	982,948	8,699	–	20,575	**1,020,592**
Investments held to maturity	–	31,293	–	168,040	10,614	–	–	**209,947**
Investments in an associate	–	–	–	–	–	–	68,624	**68,624**
Premises and equipment	–	–	–	–	–	–	1,416,607	**1,416,607**
Intangible assets	–	–	–	–	–	–	144,772	**144,772**
Current income tax assets	100	–	–	–	–	–	–	**100**
Other assets	170,693	5,143	1,263	51,017	54,469	2,326	389	**285,300**
Total assets	**6,255,498**	**6,823,642**	**5,394,491**	**10,432,231**	**4,307,324**	**304,091**	**1,650,967**	**35,168,244**
Liabilities								
Loans from the National bank	728	198,387	49,350	–	–	–	–	**248,465**
Due to banks	1,700,970	915,421	2,602,126	4,949,900	191,742	–	–	**10,360,159**
Derivative financial liabilities	9,191	651	11,347	142	–	–	–	**21,331**
Due to individuals	3,461,159	4,016,237	968,750	1,801,157	24,327	–	–	**10,271,630**
Due to corporate customers	4,522,370	1,691,438	1,492,758	86,333	249,414	–	–	**8,042,313**
Debt securities issued	81,562	392,747	99,887	343,209	–	–	–	**917,405**
Current income tax liabilities	46,054	–	–	–	–	–	–	**46,054**
Deferred income tax liabilities	–	–	–	–	–	–	69,681	**69,681**
Provisions for guarantees and other commitments	261	–	–	3,437	–	–	–	**3,698**
Other liabilities	318,853	21,590	8,343	34,204	264,190	–	–	**647,180**
Subordinated debt	110	–	–	–	678,499	–	–	**678,609**
Total liabilities	**10,141,258**	**7,236,471**	**5,232,561**	**7,218,382**	**1,408,172**	**–**	**69,681**	**31,306,525**
Net liquidity surplus/(gap)	**(3,885,760)**	**(412,829)**	**161,930**	**3,213,849**	**2,899,152**	**304,091**	**1,581,286**	**3,861,719**
Cumulative liquidity gap as at 31 March 2014	**(3,885,760)**	**(4,298,589)**	**(4,136,659)**	**(922,810)**	**1,976,342**	**2,280,433**	**3,861,719**	

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29. Risk management policies (continued)

Liquidity risk (continued)

31 December 2013	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*No stated maturity*	*Total*
Assets								
Cash and cash equivalents	5,049,708	–	–	–	–	–	–	**5,049,708**
Mandatory cash balances with the National bank	79,524	54,849	28,234	36,148	3,593	–	–	**202,348**
Due from banks	234	8,604	10,507	36,398	19,359	–	–	**75,102**
Derivative financial assets	635,974	128	1,978,896	2,515,834	–	–	–	**5,130,832**
Loans to corporate customers	1,464,888	5,587,330	3,894,471	6,178,735	4,101,975	405,421	–	**21,632,820**
Loans to individuals	45,705	94,773	217,640	437,293	657,067	12,313	–	**1,464,791**
Non-current asset held for sale	–	–	19,985	–	–	–	–	**19,985**
Investments available for sale	744	20,611	–	605,940	310,957	–	20,830	**959,082**
Investments held to maturity	–	6,099	29,626	169,974	11,143	–	–	**216,842**
Investments in an associate	–	–	–	–	–	–	60,688	**60,688**
Premises and equipment	–	–	–	–	–	–	1,410,166	**1,410,166**
Intangible assets	–	–	–	–	–	–	132,716	**132,716**
Current income tax assets	–	127,929	–	–	–	–	–	**127,929**
Other assets	511,754	22,111	4,372	7,128	62,963	1,959	1,099	**611,386**
Total assets	**7,788,531**	**5,922,434**	**6,183,731**	**9,987,450**	**5,167,057**	**419,693**	**1,625,499**	**37,094,395**
Liabilities								
Loans from the National bank	787	50,916	199,674	–	–	–	–	**251,377**
Due to banks	3,383,941	892,292	1,492,654	5,880,258	196,614	–	–	**11,845,759**
Derivative financial liabilities	1,626	2,584	186	6,192	–	–	–	**10,588**
Due to individuals	3,061,671	3,685,158	1,140,233	1,716,872	27,580	–	–	**9,631,514**
Due to corporate customers	5,255,670	1,176,542	1,037,467	1,279,620	281,284	–	–	**9,030,583**
Debt securities issued	68,021	291,268	321,666	131,120	–	–	–	**812,075**
Current income tax liabilities	–	203,303	–	–	–	–	–	**203,303**
Deferred income tax liabilities	–	–	–	–	–	–	56,353	**56,353**
Provisions for guarantees and other commitments	4,832	7,792	839	–	–	–	–	**13,463**
Other liabilities	285,336	46,022	7,589	33,179	259,744	–	–	**631,870**
Subordinated debt	177	44	–	–	686,570	–	–	**686,791**
Total liabilities	**12,062,061**	**6,355,921**	**4,200,308**	**9,047,241**	**1,451,792**	**–**	**56,353**	**33,173,676**
Net liquidity surplus/(gap)	**(4,273,530)**	**(433,487)**	**1,983,423**	**940,209**	**3,715,265**	**419,693**	**1,569,146**	**3,920,719**
Cumulative liquidity gap as at December 2013	**(4,273,530)**	**(4,707,017)**	**(2,723,594)**	**(1,783,385)**	**1,931,880**	**2,351,573**	**3,920,719**	

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29. Risk management policies (continued)

Liquidity risk (continued)

The Group's liquidity risk management includes estimation of core deposits, i.e. funds associated with stable customer deposits relationships, with statistical methods applied to historic information on fluctuations of customer accounts balances. Core deposits as at 31 March 2014 and 31 December 2013 are estimated in the amount of BYR 2,784,161 million and BYR 3,049,830 million, respectively. As at 31 March 2014 and 31 December 2013 included in due to banks were funds attracted from parent bank in the amount of BYR 6,540,131 million and BYR 7,912,813 million, respectively, comprising of short-term loans, which, as a rule, are being reinvested on maturity dates. Based on going concern assumptions the effective maturities of core deposits of funds from parent bank are considered to be undefined. Information as to the expected periods of repayment of customer accounts, funds from parent bank and effective liquidity gaps as at 31 March 2014 and 31 December 2013 is as follows:

31 March 2014 (unaudited)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*No stated maturity*	*Total*
Accounts of individuals analyzed based on expected withdrawal dates	2,318,128	4,016,237	968,750	1,801,157	24,327	–	1,143,031	**10,271,630**
Corporate accounts analyzed based on expected withdrawal dates	2,881,240	1,691,438	1,492,758	86,333	249,414	–	1,641,130	**8,042,313**
Funds attracted from other banks analyzed	419,168	913,275	962,598	1,333,245	191,742	–	6,540,131	**10,360,159**
Liquidity gap (based on expected withdrawal dates for customers accounts)	**180,203**	**(410,683)**	**1,801,458**	**6,830,504**	**2,899,152**	**304,091**	**(7,743,006)**	

31 December 2013	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*No stated maturity*	*Total*
Accounts of individuals analyzed based on expected withdrawal dates	1,914,949	3,685,157	1,140,233	1,716,872	27,580	–	1,146,723	**9,631,514**
Corporate accounts analyzed based on expected withdrawal dates	3,352,563	1,176,542	1,037,467	1,279,620	281,284	–	1,903,107	**9,030,583**
Funds attracted from other banks analyzed	604,907	892,115	1,137,754	1,101,556	196,614	–	7,912,813	**11,845,759**
Liquidity gap (based on expected withdrawal dates for customers accounts)	**1,555,333**	**(433,309)**	**2,338,323**	**5,718,911**	**3,715,265**	**419,693**	**(9,393,497)**	

Market risk

Market risk is the possibility of the Group's financial losses as a result of unfavorable movements in exchange rates, equity prices, interest rates, precious metal prices and other market indicators. The main goal of Market Risk Management is the optimization of market risk level within the Group, compliance of the risk level risk with limits set and minimization of loss in case of unfavorable scenario realization.

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 manages its market risks through securities portfolios management and control over open position in currencies, interest rates and derivatives.

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29. 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 management of interest rate risk in the part of procedures of identifying, appreciating, monitoring and control is conducted by the department of Strategic Management and Treasure in accordance with the system of management requirements defined by the Department of Methodology and Risk Control. The Department of Methodology and Risk Control provides a top-level control of functioning of the interest rate risk management system. The Bank's Committee on Assets and Liability Management 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 increase/reduction in interest rates in respect of floating rate financial instruments nominated in BYR and foreign currencies existing as at 31 March 2014 and 31 December 2013, respectively, on the net profit of the Group, provided all other variables were held constant. Additionally the calculation includes the effect of reinvestment of fixed-rate instruments at new market rates as they mature.
Impact on profit before taxes:

	As at 31 March 2014 (unaudited)		***As at 31 December 2013***	
BYR	***Interest rate +18.68%***	***Interest rate -18.68%***	***Interest rate +18.68%***	***Interest rate -18.68%***
Impact on profit before taxes				
Assets				
Due from banks	12,416	(12,416)	13,985	(13,985)
Loans to customers	1,245,174	(1,245,174)	1,300,180	(1,300,180)
Investments available for sale	1,625	(1,625)	2,138	(2,138)
Investments held to maturity	5,814	(5,814)	3,485	(3,485)
Liabilities				
Due to banks	(37,145)	37,145	(13,341)	13,341
Customer accounts	(1,012,988)	1,012,988	(1,000,380)	1,000,380
Debt securities issued	(44,161)	44,161	(9,225)	9,225
Net impact on profit before taxes	**170,735**	**(170,735)**	**296,842**	**(296,842)**
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	–	–	–	–
Net impact on comprehensive income	**170,735**	**(170,735)**	**296,842**	**(296,842)**

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29. Risk management policies (continued)

Interest rate risk (continued)

	As at 31 March 2014 (unaudited)		*As at 31 December 2013*	
USD	***Interest rate +0.03%***	***Interest rate -0.03%***	***Interest rate +0.03%***	***Interest rate -0.03%***
Impact on profit before taxes				
Assets				
Due from banks	–	–	–	–
Loans to customers	2,184	(2,184)	2,204	(2,204)
Investments available for sale	–	–	–	–
Investments held to maturity	–	–	1	(1)
Liabilities				
Loans from the National bank	(75)	75	(76)	76
Due to banks	(379)	379	(569)	569
Customer accounts	(1,273)	1,273	(1,250)	1,250
Debt securities issued	(39)	39	(33)	33
Net impact on profit before taxes	**418**	**(418)**	**277**	**(277)**
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	–	–	(581)	581
Net impact on comprehensive income	**418**	**(418)**	**(304)**	**304**

	As at 31 March 2014 (unaudited)		*As at 31 December 2013*	
EUR	***Interest rate +0.14%***	***Interest rate -0.14%***	***Interest rate +0.14%***	***Interest rate -0.14%***
Impact on profit before taxes				
Assets				
Loans to customers	7,797	(7,797)	7,833	(7,833)
Investments available for sale	–	–	–	–
Liabilities				
Due to banks	(3,446)	3,446	(4,761)	4,761
Customer accounts	(3,328)	3,328	(2,923)	2,923
Debt securities issued	(148)	148	(124)	124
Net impact on profit before taxes	**875**	**(875)**	**25**	**(25)**
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	(120)	120	(12)	12
Net impact on comprehensive income	**755**	**(755)**	**13**	**(13)**

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29. Risk management policies (continued)

Interest rate risk (continued)

	As at 31 March 2014 (unaudited)		*As at 31 December 2013*	
RUB	***Interest rate +0.93%***	***Interest rate -0.93%***	***Interest rate +0.93%***	***Interest rate -0.93%***
Impact on profit before taxes				
Assets				
Loans to customers	10,750	(10,750)	8,174	(8,174)
Investments held to maturity	–	–	–	–
Liabilities				
Due to banks	(11,496)	11,496	(8,366)	8,366
Customer accounts	(6,426)	6,426	(7,364)	7,364
Debt securities issued	(550)	550	(1,159)	1,159
Net impact on profit before taxes	**(7,722)**	**7,722**	**(8,715)**	**8,715**
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	–	–	–	–
Net impact on comprehensive income	**(7,722)**	**7,722**	**(8,715)**	**8,715**

Currency risk

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

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

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29. Risk management policies (continued)

Currency risk (continued)

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

31 March 2014 (unaudited)	*BYR*	*USD 1 USD = BYR 9,870*	*EUR 1 EUR = BYR 13,570*	*RUB 1 RUB = BYR 277*	*Precious metals*	*Other currencies*	*Total*
Financial assets							
Cash and cash equivalents	2,774,081	1,103,658	231,958	167,090	15,294	35,374	**4,327,455**
Mandatory cash balances with the National bank of the Republic of Belarus	187,443	–	–	–	–	–	**187,443**
Due from banks	66,465	–	–	–	–	–	**66,465**
Derivative financial assets	4,569,707	–	–	–	–	–	**4,569,707**
Loans to corporate customers	5,677,522	7,710,447	5,820,051	2,284,344	–	8,172	**21,500,536**
Loans to individuals	1,278,005	78,768	1,051	–	–	–	**1,357,824**
Investments available for sale	83,598	882,089	54,905	–	–	–	**1,020,592**
Investments held to maturity	39,571	170,376	–	–	–	–	**209,947**
Other financial assets	76,326	7,815	3,821	8,318	–	–	**96,280**
Total financial assets	**14,752,718**	**9,953,153**	**6,111,786**	**2,459,752**	**15,294**	**43,546**	**33,336,249**
Financial liabilities							
Loans from the National bank	–	248,465	–	–	–	–	**248,465**
Due to banks	227,405	2,881,168	3,897,601	1,289,924	2,055,890	8,171	**10,360,159**
Derivative financial liabilities	21,331	–	–	–	–	–	**21,331**
Due to individuals	2,037,690	5,494,631	2,292,129	188,894	258,285	1	**10,271,630**
Due to corporate customers	3,702,816	1,194,124	2,302,281	716,678	101,880	24,534	**8,042,313**
Debt securities issued	239,237	273,066	235,891	169,211	–	–	**917,405**
Other financial liabilities	216,496	346,763	28,399	5,142	–	873	**597,673**
Subordinated debt	–	–	678,609	–	–	–	**678,609**
Total financial liabilities	**6,444,975**	**10,438,217**	**9,434,910**	**2,369,849**	**2,416,055**	**33,579**	**31,137,585**
Currency position	**8,307,743**	**(485,064)**	**(3,323,124)**	**89,903**	**(2,400,761)**	**9,967**	

Derivative financial instruments

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

31 March 2014 (unaudited)	*BYR*	*USD 1 USD = BYR 9,870*	*EUR 1 EUR = BYR 13,570*	*RUB 1 RUB = BYR 277*	*Precious metals*	*Other currencies*	*Total*
Claims on derivative financial instruments	137,599	1,314,022	3,820,082	73,461	2,404,803	820	**7,750,787**
Obligations on derivative financial instruments	(2,436,668)	(510,055)	(287,923)	(81,674)	(194)	(6,876)	**(3,323,390)**
Net derivative financial instruments	**(2,299,069)**	**803,967**	**3,532,159**	**(8,213)**	**2,404,609**	**(6,056)**	**4,427,397**
Total currency position less fair value of derivative	**1,460,298**	**318,903**	**209,035**	**81,690**	**3,848**	**3,911**	

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29. Risk management policies (continued)

Currency risk (continued)

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

31 December 2013	*BYR*	*USD 1 USD = BYR 9,510*	*EUR 1 EUR = BYR 13,080*	*RUB 1 RUB = BYR 290,5*	*Precious metals*	*Other currencies*	*Total*
Financial assets							
Cash and cash equivalents	3,269,564	1,001,532	512,475	245,750	13,063	7,324	**5,049,708**
Mandatory cash balances with the National bank of the Republic of Belarus	202,348	–	–	–	–	–	**202,348**
Due from banks	75,102	–	–	–	–	–	**75,102**
Derivative financial assets	5,130,832	–	–	–	–	–	**5,130,832**
Loans to corporate customers	5,896,022	7,686,415	5,911,705	2,129,851	–	8,827	**21,632,820**
Loans to individuals	1,378,715	84,958	1,118	–	–	–	**1,464,791**
Investments available for sale	26,167	925,980	6,935	–	–	–	**959,082**
Investments held to maturity	40,921	175,921	–	–	–	–	**216,842**
Other financial assets	93,854	305,487	2,949	2,508	–	–	**404,798**
Total financial assets	**16,113,525**	**10,180,293**	**6,435,182**	**2,378,109**	**13,063**	**16,151**	**35,136,323**
Financial liabilities							
Loans from the National bank	–	251,377	–	–	–	–	**251,377**
Due to banks	98,949	3,568,113	5,302,548	938,692	1,928,288	9,169	**11,845,759**
Derivative financial Liabilities	10,588	–	–	–	–	–	**10,588**
Due to individuals	1,604,543	5,552,635	1,995,583	233,248	245,496	9	**9,631,514**
Due to corporate customers	4,028,870	1,192,316	2,711,485	992,595	102,306	3,011	**9,030,583**
Debt securities issued	50,517	326,853	258,830	175,875	–	–	**812,075**
Other financial liabilities	174,837	322,619	26,775	3,924	–	6	**528,161**
Subordinated debt	–	–	686,791	–	–	–	**686,791**
Total financial liabilities	**5,968,304**	**11,213,913**	**10,982,012**	**2,344,334**	**2,276,090**	**12,195**	**32,796,848**
Currency position	**10,145,221**	**(1,033,620)**	**(4,546,830)**	**33,775**	**(2,263,027)**	**3,956**	

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 2013	*BYR*	*USD 1 USD = BYR 9,510*	*EUR 1 EUR = BYR 13,080*	*RUB 1 RUB = BYR 290,5*	*Precious metals*	*Other currencies*	*Total*
Claims on derivative financial instruments	13	1,675,520	4,767,665	60,838	2,266,993	–	**8,771,029**
Obligations on derivative financial instruments	(3,350,561)	(365,019)	(129,410)	(53,316)	–	–	**(3,898,306)**
Net derivative financial instruments	**(3,350,548)**	**1,310,501**	**4,638,255**	**7,522**	**2,266,993**	**–**	**4,872,723**
Total currency position less fair value of derivative	**1,674,429**	**276,881**	**91,425**	**41,297**	**3,966**	**3,956**	

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

29. Risk management policies (continued)

Currency risk sensitivity

The following tables detail the Group's sensitivity to an increase and decrease in the USD, EUR and RUB against the BYR. This is the sensitivity rate represents Management's assessment of the possible change in foreign currency exchange rates as at 31 March 2014 and 31 December 2013. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for an anticipated value change in foreign currency rates.

	As at 31 March 2014 (unaudited)		***As at 31 December 2013***	
	BYR/USD +32.48%	***BYR/USD -32.48%***	***BYR/USD +32.48%***	***BYR/USD -32.48%***
Impact on profit or loss	103,580	(103,580)	89,931	(89,931)
Impact on comprehensive income	103,580	(103,580)	89,931	(89,931)

	As at 31 March 2014 (unaudited)		***As at 31 December 2013***	
	BYR/EUR +33.90%	***BYR/EUR -33.90%***	***BYR/EUR +33.90%***	***BYR/EUR -33.90%***
Impact on profit or loss	70,863	(70,863)	30,992	(30,992)
Impact on comprehensive income	70,863	(70,863)	30,992	(30,992)

	As at 31 March 2014 (unaudited)		***As at 31 December 2013***	
	BYR/RUB +48.26%	***BYR/RUB -48.26%***	***BYR/RUB +48.26%***	***BYR/RUB -48.26%***
Impact on profit or loss	39,424	(39,424)	19,929	(19,929)
Impact on comprehensive income	39,424	(39,424)	19,929	(19,929)

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 possible fluctuations of the market. As investment markets move past various trigger levels, Management actions could include selling positions and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholders' equity.

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

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Grouph cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks. Controls should include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 31 March 2014)

30. Subsequent events

The National bank has decreased the prime refinancing rate in BYR to 21.5% since 19 May 2014.