

BPS-Sberbank
Interim Condensed
Consolidated Financial Statements

For the 9 months ended 30 September 2013

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Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of JSC "BPS-Sberbank" and its subsidiaries (together the "Group") as of 30 September 2013, comprising of the interim condensed consolidated statement of financial position as of 30 September 2013 and the related interim condensed consolidated income statements and statements of comprehensive income for the three months and the nine months then ended, interim condensed consolidated statements of changes in equity and of cash flows for the nine 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

25 November 2013

**Interim condensed consolidated statement of financial position
As of 30 September 2013***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as of 30 September 2013)*

	Notes	30 September 2013 (unaudited)	31 December 2012
Assets:			
Cash and cash equivalents	3, 25	4,837,243	4,384,476
Mandatory cash balances with the National Bank of the Republic of Belarus		204,670	206,248
Due from banks	4	154,795	197,532
Derivative financial assets	5	4,580,749	6,166,238
Loans to corporate customers	6, 25	22,191,512	19,925,242
Loans to individuals	6, 25	1,293,876	1,069,659
Non-current asset held for sale	7	25,934	17,199
Investments available for sale	8	1,059,631	815,481
Investments held to maturity	9	537,567	567,984
Investments in associates		49,361	41,498
Premises and equipment	10	1,209,569	1,128,340
Intangible assets	10	110,845	87,234
Current income tax assets		91,637	125,871
Other financial assets	11	85,746	154,581
Other non- financial assets	11	167,319	127,076
Total assets		36,600,454	35,014,659
Liabilities and equity			
Liabilities:			
Loans from the National Bank of the Republic of Belarus	12	287,525	321,954
Due to banks	13, 25	12,854,730	10,809,565
Derivative financial liabilities	5	52,948	50,248
Due to individuals	14, 25	9,144,467	8,534,326
Due to corporate customers	14, 25	9,084,218	10,100,476
Debt securities issued	15	1,130,562	1,259,211
Current income tax liabilities		121,333	132,685
Deferred income tax liabilities		57,659	95,718
Provisions for guarantees and other commitments	19	7,051	11,897
Other financial liabilities	16	105,918	100,828
Other non- financial liabilities	16	112,476	131,623
Subordinated debt	25	490,097	499,311
Total liabilities		33,448,984	32,047,842
Equity:			
Share capital	17	2,436,424	2,436,424
Revaluation reserve for office premises		281,636	303,308
Investments available for sale fair value deficit		(63,704)	(36,245)
Retained earnings		496,823	263,088
Total equity attributable to shareholders of the Bank		3,151,179	2,966,575
Non-controlling interest		291	242
Total equity		3,151,470	2,966,817
Total liabilities and equity		36,600,454	35,014,659

Signed and authorized for release on behalf of the Management Board


Chairman of the Board
Vasili S. Matyushevski
20 November 2013
Minsk



Chief Accountant
Anatoly V. Boreiko
20 November 2013
Minsk

Interim condensed consolidated income statement
For the 9 months ended 30 September 2013*(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as of 30 September 2013)*

	Notes	3 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Interest income	18, 26	953,560	955,488	2,928,981	3,234,485
Interest expense	18, 26	(582,530)	(546,371)	(1,749,163)	(1,903,438)
Net interest income before provision for impairment losses on interest bearing assets		371,030	409,117	1,179,818	1,331,047
Allowance for impairment losses on interest bearing assets	19, 26	(60,864)	(96,132)	(114,027)	(101,602)
Net interest income		310,166	312,985	1,065,791	1,229,445
Fee and commission income	20, 26	294,419	247,747	822,011	675,530
Fee and commission expense	20, 26	(79,906)	(62,314)	(214,418)	(165,168)
Net losses arising from investment securities available for sale		(164)	(2,746)	(659)	(4,424)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	21	126,577	106,675	50,592	1,151
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations losses	21	(129,750)	(69,381)	(165,021)	(263,465)
Reversal on other provisions	19	604	9,645	3,765	4,352
Other income	22	6,428	8,133	19,316	29,066
Net non-interest income		218,208	237,759	515,586	277,042
Operating income		528,374	550,744	1,581,377	1,506,487
Operating expenses	23	(396,197)	(324,398)	(1,089,291)	(1,003,352)
Share of results of an associate		(7,623)	(737)	11,636	5,994
Profit before loss on net monetary position		124,554	225,609	503,722	509,129
Loss on net monetary position due to inflation effect		(43,187)	(114,164)	(173,188)	(300,422)
Profit before income taxes		81,367	111,445	330,534	208,707
Income tax expense		(19,230)	(38,482)	(88,427)	(85,885)
Net profit		62,137	72,963	242,107	122,822
Attributable to:					
Shareholders of the parent Bank		62,092	72,912	242,058	122,658
Non-controlling interest		45	51	49	164
		62,137	72,963	242,107	122,822

Signed and authorized for release on behalf of the Management Board


 Chairman of the Board
 Vasili S. Matyushevski
 20 November 2013
 Minsk



 Chief Accountant
 Anatoly V. Boreiko
 20 November 2013
 Minsk

Interim condensed consolidated statement of comprehensive income
For the 9 months ended 30 September 2013

*(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as of 30 September 2013)*

Notes	3 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Net profit	62,137	72,963	242,107	122,822
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	(60,598)	51,106	(28,118)	89,574
Reclassification adjustments for losses included in profit or loss from comprehensive income on disposal of investments available for sale	164	2,746	659	4,424
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	(60,434)	53,852	(27,459)	93,998
Other comprehensive loss not being reclassified to profit or loss in subsequent periods:				
Net change in income tax relating to office premises remeasurement	(2,275)	(11,145)	(8,143)	(22,459)
Other comprehensive (loss)/income	(62,709)	42,707	(35,602)	71,539
Total comprehensive (loss)/income	(572)	115,670	206,505	194,361
Attributable to:				
Shareholders of the parent	(617)	115,619	206,456	194,197
Minority interest	45	51	49	164
Total comprehensive (loss)/income	(572)	115,670	206,505	194,361

Interim condensed consolidated statement of changes in equity**For the 9 months ended 30 September 2013***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)*

	<i>Notes</i>	<i>Share capital</i>	<i>Revaluation reserve for office premises</i>	<i>Investments available for sale fair value deficit</i>	<i>Retained earnings</i>	<i>Total equity attributable to shareholders of the Bank</i>	<i>Minority interest</i>	<i>Total equity</i>
31 December 2011		2,384,618	402,013	(90,232)	63,453	2,759,852	224	2,760,076
Total comprehensive income for the period		-	(22,459)	93,998	122,658	194,197	164	194,361
Amortisation of revaluation reserve for premises, net of tax		-	(7,759)	-	7,759	-	-	-
Dividends paid	17	-	-	-	(13,308)	(13,308)	-	(13,308)
30 September 2012 (unaudited)		2,384,618	371,795	3,766	180,562	2,940,741	388	2,941,129
31 December 2012		2,436,424	303,308	(36,245)	263,088	2,966,575	242	2,966,817
Total comprehensive income for the period			(8,143)	(27,459)	242,058	206,456	49	206,505
Amortisation of revaluation reserve for premises, net of tax		-	(5,350)	-	5,350	-	-	-
Disposal of premises		-	(8,179)	-	8,179	-	-	-
Dividends paid	17				(21,852)	(21,852)	-	(21,852)
30 September 2013 (unaudited)		2,436,424	281,636	(63,704)	496,823	3,151,179	291	3,151,470

Interim condensed consolidated statement of cash flows**For the 9 months ended 30 September 2013***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)*

	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
	<i>Notes</i>	
Cash flows from operating activities:		
Interest income	2,825,663	3,207,685
Interest expense	(1,651,088)	(1,921,250)
Fee and commission income	822,011	675,530
Fee and commission expense	(214,418)	(165,168)
Net gain on foreign exchange operations	479,394	190,405
Net gain on derivative financial instruments	362,653	146,725
Net loss on disposal of investments available for sale	(659)	(4,424)
Net (loss)/gain on precious metals	(316,869)	24,445
Other income	19,316	29,066
Operating expenses	(990,896)	(922,055)
Income taxes paid	(102,434)	(175,391)
Cash flows from operating activities before changes in operating assets and liabilities	1,232,673	1,085,568
Changes in operating assets and liabilities		
Increase/(decrease) in operating assets:		
Minimum reserve deposit with the National Bank of the Republic of Belarus	(17,155)	(107,119)
Due from banks	56,230	(54,257)
Loans to corporate customers	(3,259,647)	(5,360,944)
Loans to individuals	(309,217)	343,683
Other assets	55,931	(75,025)
Increase/(decrease) in operating liabilities:		
Loans from the National Bank of the Republic of Belarus	(21,563)	(19,019)
Due to banks	3,057,938	(1,652,243)
Due to individuals	1,038,392	1,978,270
Due to corporate customers	(338,493)	2,775,453
Debt securities issued	(52,878)	438,346
Other liabilities	(40,464)	20,164
Net cash inflow/(outflow) from operating activities	1,401,747	(627,123)

Interim condensed consolidated statement of cash flows**For the 9 months ended 30 September 2013 (continued)***(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)*

	Notes	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Cash flows from investing activities:			
Purchase of premises, equipment and intangible assets		(220,573)	(115,491)
Proceeds on sale of premises and equipment		11,553	200
Disposals of HFS assets		-	3,572
Purchase of investments held to maturity		-	(137,793)
Repayment of investments held to maturity		1,474	-
Purchase of investments available for sale		(562,503)	(176,617)
Proceeds on repayment of investments available for sale		233,966	58,396
Dividends received		2,056	-
Net cash outflow from investing activities		(534,027)	(367,733)
Cash flows from financing activities:			
Dividends paid		(20,685)	(12,571)
Net cash outflow from financing activities		(20,685)	(12,571)
Effect of changes in foreign exchange rates on cash and cash equivalents		52,090	28,940
Inflation effect on monetary assets and liabilities		(446,358)	(849,918)
Net increase/(decrease) in cash and cash equivalents		847,035	(1,007,427)
Cash and cash equivalents, beginning of the period	3	4,384,476	5,993,831
Cash and cash equivalents, end of the period	3	4,837,243	4,165,426

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

1. Organisation

Open Joint-Stock Company "BPS-Sberbank" (previous name – "BPS-Bank"), or BPS-Sberbank (the "Bank"), was established from the Belarusian branch of Promstroibank USSR and registered with the National Bank of the Republic of Belarus (the "National Bank") as a closed joint-stock company on 28 December 1991. On 17 February 1993 the Bank was reorganized into an open joint stock company and accordingly registered by the National Bank. The Bank conducts its business under License of the National Bank for performing banking operations № 4 issued on 05 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 30 September 2013 the Bank had 6 regional directories and 37 banking service centers, as well as representative office in the Republic of Poland, Warsaw.

The average number of employees of the Bank during 9 months, ended 30 September 2013, and 9 months, ended 30 September 2012, was 4,158 and 4,546 persons, respectively.

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

Name	Country of operation	Proportion of ownership interest/ voting rights, %		Type of operation
		30 September 2013	31 December 2012	
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 Information and communication services
CJSC "Service Desk"	Republic of Belarus	99.9	99.9	
Associates:				
Closed Joint Stock Company "BPS-Leasing"	Republic of Belarus	49.0	50.0	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

On 27 June 2013 BPS-Sberbank has sold 1% of CJSC "BPS-Leasing" shares to CJSC "Sberbank Leasing" which is a subsidiary of Sberbank of Russia.

As at 30 September 2013 and 31 December 2012 the following shareholders owned the issued shares of the Bank:

Shareholder	30 September 2013,		31 December 2012, %
	%		
Sberbank	97.91		97.91
Other	2.09		2.09
Total	100.00		100.00

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

These interim condensed consolidated financial statements were authorized for issue by the Management Board on 20 November 2013.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

2. Basis of presentation

General

These interim condensed consolidated financial statements of JSC "BPS-Sberbank" (the "Bank") and its subsidiaries ("the Group") for nine months ended 30 September 2013 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" ("IAS 34").

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

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

	<u>30 September 2013</u>	<u>31 December 2012</u>
BYR/USD	9,080	8,570
BYR/EUR	12,250	11,340
BYR/RUB	280,5	282

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

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2012, except for the changes introduced due to implementation of new and/or revised standards and interpretations starting from 1 January 2013, noted below. Management has not identified new areas of judgement or critical estimates except for the change in estimate of the maximum maturity from up to 30 days to up to 1 business day of interbank loans and repo deals which are considered as cash and cash equivalents. Comparative figures have not been adjusted.

Accounting for the effects of hyperinflation

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

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

<u>Year</u>	<u>Index, %</u>	<u>Conversion factors</u>
2006	106.46	428.83
2007	111.97	382.97
2008	113.45	337.58
2009	109.85	307.31
2010	110.03	279.30
2011	208.67	133.85
9 months 2012	115.92	115.46
2012	121.69	109.99
9 months 2013	109.99	100.00

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as at 30 September 2013. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as at 30 September 2013) are restated by applying the relevant index. The effect of inflation on the Group's net monetary position is included in the interim condensed consolidated income statement as loss on net monetary position.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

2. Basis of presentation (continued)

The application of IAS 29 results in an adjustment for the loss of purchasing power of the Belarusian Rouble recorded in profit or loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss/gain is derived as the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the interim condensed consolidated statement of comprehensive income. Corresponding figures for the year ended 31 December 2012 have also been restated so that they are presented in terms of the purchasing power of the Belarusian Rouble as at 30 September 2013. Income and expense items of the interim condensed consolidated income statement for the 9 months ended 30 September 2012 and 30 September 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 2012, except for the adoption of new Standards and Interpretations as at 1 January 2013, noted below:

IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

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

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group.

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

Amendments to IAS 19 Employee Benefits

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

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

2. Basis of presentation (continued)

Amendments to IFRS 7 Disclosures – Offsetting Financial assets and Financial Liabilities

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. These amendments had no impact on the Group's financial position or performance.

Amendment to IAS 32 Financial Instruments, Presentation

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

Amendment to IAS 34 Interim Financial Reporting

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. The Group provides this disclosure as total segment assets were reported to the chief operating decision maker. As a result of this amendment, the Group now also includes disclosure of total segment liabilities as these are reported to the chief operating decision maker. See Note 26.

3. Cash and cash equivalents

	30 September 2013 (unaudited)	31 December 2012
Current accounts with the National Bank	2,565,735	1,451,651
Cash	1,621,839	1,475,301
Correspondent accounts and placements with other banks:		
- Belarus	276,482	440,001
- Other countries	239,553	800,936
Settlements with the Belarusian Currency and Stock Exchange	133,634	216,587
Total cash and cash equivalents	4,837,243	4,384,476

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 30 September 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	-	250,912	25,570	276,482
- Other countries	236,055	235	3,263	239,553
Total	236,055	251,147	28,833	516,035

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

3. Cash and cash equivalents (continued)

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

	<i>Investment rating</i>	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
Correspondent accounts and placements with other banks:				
- Belarus	-	351,859	88,142	440,001
- Other countries	792,890	548	7,498	800,936
Total	792,890	352,407	95,640	1,240,937

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

As at 30 September 2013 and 31 December 2012 all cash and cash equivalents are neither past due nor impaired.

4. Due from banks

Due from banks comprise:

	<i>30 September 2013 (unaudited)</i>	<i>31 December 2012</i>
Time deposits and loans to banks:		
- Belarus	154,795	197,532
Total due from banks	154,795	197,532

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

Analysis by credit quality of the balances with counterparty banks as at 30 September 2013 made on the basis of ratings of international rating agencies is as follows:

	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
Time deposits and loans to banks:			
- Belarus	154,795	-	154,795
Total	154,795	-	154,795

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

	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
Time deposits and loans to banks:			
- Belarus	197,532	-	197,532
Total	197,532	-	197,532

As at 30 September 2013 and 31 December 2012 included in due from banks were fixed amounts of BYR 999 million and BYR 1,036 million, respectively, placed as guarantee deposits on letters of credit, operations with plastic cards and settlements with international payment systems.

As at 30 September 2013 and 31 December 2012 included in due from banks are long-term loans issued to JSC "Belagroprombank" under the Government's program on financing for acquisition of agricultural equipment for the total amount of BYR 81,923 million and BYR 95,986 million, respectively, with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National Bank.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

5. Derivative financial instruments

As at 30 September 2013 and 31 December 2012 derivative financial instruments comprise:

<i>Derivative type</i>	<i>Nominal amount (in units of currency to be purchased)</i>	<i>Fair Value as at 30 September 2013 (unaudited)</i>	
		<i>Asset</i>	<i>Liability</i>
EUR/BYR foreign currency swap	EUR 340,709,458	2,737,851	-
XAU/BYR precious metals swap	XAU 5,005,000	1,261,815	-
USD/BYR foreign currency swap	USD 196,965,892	573,675	7,362
USD/XAU foreign currency swap	USD 3,304,518	4,573	-
XAU/EUR precious metals swap	XAU 626,425	2,504	-
XAU/USD precious metals swap	XAU 1,919,749	219	34,642
EUR/USD foreign currency swap	EUR 1,480,000	54	5
USD/EUR foreign currency spot	USD 3,108,914	54	-
RUB /EUR foreign currency forward	RUB 208,720,500	4	5,094
EUR/ RUB foreign currency spot	EUR 1,000,000	-	30
USD/ RUB foreign currency spot	USD 9,200,000	-	161
XAG/USD precious metals swap	XAG 2,799,315	-	1,384
XPT/EUR precious metals swap	XPT 102,642	-	4,270
Total derivative financial instruments		4,580,749	52,948

<i>Derivative type</i>	<i>Nominal amount (in units of currency to be purchased)</i>	<i>Fair Value as at 31 December 2012</i>	
		<i>Asset</i>	<i>Liability</i>
EUR/BYR foreign currency swap	EUR 340,709,341	2,863,955	-
XAU/BYR precious metals swap	XAU 7,510,000	2,665,576	-
USD/BYR foreign currency swap	USD 113,551,933	634,894	16,085
USD/XAU foreign currency swap	USD 6,311,275	1,575	-
RUB/EUR foreign currency forward	RUB 220,573,952	113	2,430
EUR/USD foreign currency spot	EUR 1,800,000	64	-
RUB/USD foreign currency swap	RUB 20,000,000	35	-
XAU/EUR precious metals swap	XAU 741,507	26	29,274
EUR/ RUB foreign currency spot	EUR 1,000,000	-	27
USD/ RUB foreign currency swap	USD 700,000	-	35
XPT/EUR precious metals swap	XPT 97,976	-	2,397
Total derivative financial instruments		6,166,238	50,248

As at 30 September 2013 and 31 December 2012 derivative financial instruments mainly comprised swap contracts with the National Bank to purchase Belarusian Roubles for foreign currency and precious metals.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

6. Loans to customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 30 September 2013 and 31 December 2012.

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

	<i>Not past due loans</i>	<i>Past due loans</i>	<i>Total</i>
30 September 2013 (unaudited)			
Commercial loans to legal entities	12,495,750	407,225	12,902,975
Specialized loans to legal entities	9,398,743	875,714	10,274,457
Consumer and other loans to individuals	752,849	24,152	777,001
Mortgage loans to individuals	474,491	20,286	494,777
Car loans to individuals	44,839	1,230	46,069
Total loans to customers before allowance for loan impairment	23,166,672	1,328,607	24,495,279
Less: Allowance for loan impairment	(804,400)	(205,491)	(1,009,891)
Total loans to customers net of allowance for loan impairment	22,362,272	1,123,116	23,485,388
	<i>Not past due loans</i>	<i>Past due loans</i>	<i>Total</i>
31 December 2012			
Commercial loans to legal entities	11,610,348	266,806	11,877,154
Specialized loans to legal entities	8,414,986	569,856	8,984,842
Consumer and other loans to individuals	578,454	8,414	586,868
Mortgage loans to individuals	506,196	7,575	513,771
Car loans to individuals	17,383	244	17,627
Total loans to customers before allowance for loan impairment	21,127,367	852,895	21,980,262
Less: Allowance for loan impairment	(812,572)	(172,789)	(985,361)
Total loans to customers net of allowance for loan impairment	20,314,795	680,106	20,994,901

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

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

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

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

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

6. Loans to customers (continued)

The table below shows the analysis of loans and allowance for loan impairment as at 30 September 2013:

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
Not past due	10,959,208	(225,772)	10,733,436	2.1%
Loans up to 30 days overdue	72,660	(1,604)	71,056	2.2%
Loans 31 to 60 days overdue	87,292	(1,166)	86,126	1.3%
Loans 61 to 90 days overdue	8,359	(201)	8,158	2.4%
Loans 91 up to 180 days overdue	22,253	(555)	21,698	2.5%
Loans over 180 days overdue	33,956	(8,607)	25,349	25.3%
Total collectively assessed loans	11,183,728	(237,905)	10,945,823	2.1%
<i>Individually impaired</i>				
Not past due	1,536,542	(102,971)	1,433,571	6.7%
Loans up to 30 days overdue	54	(10)	44	18.5%
Loans 31 to 60 days overdue	13,570	(1,394)	12,176	10.3%
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	47,374	(12,783)	34,591	27.0%
Loans over 180 days overdue	121,707	(62,637)	59,070	51.5%
Total individually impaired loans	1,719,247	(179,795)	1,539,452	10.5%
Total commercial loans to legal entities	12,902,975	(417,700)	12,485,275	3.2%
Specialized loans to legal entities				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
Not past due	6,932,628	(156,266)	6,776,362	2.3%
Loans up to 30 days overdue	103,644	(2,260)	101,384	2.2%
Loans 31 to 60 days overdue	22,599	(292)	22,307	1.3%
Loans 61 to 90 days overdue	215,417	(302)	215,115	0.1%
Loans 91 up to 180 days overdue	5,939	(132)	5,807	2.2%
Loans over 180 days overdue	15,315	(4,748)	10,567	31.0%
Total collectively assessed loans	7,295,542	(164,000)	7,131,542	2.2%
<i>Individually impaired</i>				
Not past due	2,466,115	(317,232)	2,148,883	12.9%
Loans up to 30 days overdue	442,824	(57,393)	385,431	13.0%
Loans 31 to 60 days overdue	2,352	(155)	2,197	6.6%
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	-	-	-	-
Loans over 180 days overdue	67,624	(29,440)	38,184	43.5%
Total individually impaired loans	2,978,915	(404,220)	2,574,695	13.6%
Total specialized loans to legal entities	10,274,457	(568,220)	9,706,237	5.5%
Total loans to legal entities	23,177,432	(985,920)	22,191,512	4.3%

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

6. Loans to customers (continued)

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Consumer and other loans to individuals				
<i>Collectively assessed</i>				
Not past due	752,849	(1,294)	751,555	0.2%
Loans up to 30 days overdue	13,699	(1,152)	12,547	8.4%
Loans 31 to 60 days overdue	1,387	(612)	775	44.1%
Loans 61 to 90 days overdue	350	(347)	3	99.1%
Loans 91 up to 180 days overdue	1,799	(1,799)	-	100.0%
Loans over 180 days overdue	6,917	(6,917)	-	100.0%
Total consumer and other loans to individuals	777,001	(12,121)	764,880	1.6%
Mortgage loans to individuals				
<i>Collectively assessed</i>				
Not past due	474,491	(764)	473,727	0.2%
Loans up to 30 days overdue	9,488	(770)	8,718	8.1%
Loans 31 to 60 days overdue	1,499	(629)	870	42.0%
Loans 61 to 90 days overdue	2,515	(2,377)	138	94.5%
Loans 91 up to 180 days overdue	1,040	(1,040)	-	100.0%
Loans over 180 days overdue	5,744	(5,744)	-	100.0%
Total mortgage loans to individuals	494,777	(11,324)	483,453	2.3%
Car loans to individuals				
<i>Collectively assessed</i>				
Not past due	44,839	(101)	44,738	0.2%
Loans up to 30 days overdue	799	(63)	736	7.9%
Loans 31 to 60 days overdue	85	(16)	69	18.8%
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	9	(9)	-	100.0%
Loans over 180 days overdue	337	(337)	-	100.0%
Total car loans to individuals	46,069	(526)	45,543	1.1%
Total loans to individuals	1,317,847	(23,971)	1,293,876	1.8%
Total loans and advances to customers as at 30 September 2013 (unaudited)	24,495,279	(1,009,891)	23,485,388	4.1%

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

6. Loans to customers (continued)

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

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
Not past due	10,224,715	(224,173)	10,000,542	2.2%
Loans up to 30 days overdue	60,156	(1,671)	58,485	2.8%
Loans 31 to 60 days overdue	48,223	(1,313)	46,910	2.7%
Loans 61 to 90 days overdue	9,165	(263)	8,902	2.9%
Loans 91 up to 180 days overdue	5,476	(176)	5,300	3.2%
Loans over 180 days overdue	47,383	(11,143)	36,240	23.5%
Total collectively assessed loans	10,395,118	(238,739)	10,156,379	2.3%
<i>Individually impaired</i>				
Not past due	1,385,633	(119,654)	1,265,979	8.6%
Loans up to 30 days overdue	17,424	(3,412)	14,012	19.6%
Loans 31 to 60 days overdue	-	-	-	-
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	-	-	-	-
Loans over 180 days overdue	78,979	(43,761)	35,218	55.4%
Total individually impaired loans	1,482,036	(166,827)	1,315,209	11.3%
Total commercial loans to legal entities	11,877,154	(405,566)	11,471,588	3.4%
Specialized loans to legal entities				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
Not past due	6,845,878	(207,761)	6,638,117	3.0%
Loans up to 30 days overdue	54,535	(1,482)	53,053	2.7%
Loans 31 to 60 days overdue	29,679	(819)	28,860	2.8%
Loans 61 to 90 days overdue	28,346	(791)	27,555	2.8%
Loans 91 up to 180 days overdue	11,378	(317)	11,061	2.8%
Loans over 180 days overdue	12,384	(1,841)	10,543	14.9%
Total collectively assessed loans	6,982,200	(213,011)	6,769,189	3.1%
<i>Individually impaired</i>				
Not past due	1,569,108	(214,809)	1,354,299	13.7%
Loans up to 30 days overdue	306,477	(90,493)	215,984	29.5%
Loans 31 to 60 days overdue	46,218	(2,480)	43,738	5.4%
Loans 61 to 90 days overdue	161	(5)	156	3.1%
Loans 91 up to 180 days overdue	54	(15)	39	27.8%
Loans over 180 days overdue	80,624	(10,375)	70,249	12.9%
Total individually impaired loans	2,002,642	(318,177)	1,684,465	15.9%
Total specialized loans to legal entities	8,984,842	(531,188)	8,453,654	5.9%
Total loans to legal entities	20,861,996	(936,754)	19,925,242	4.5%

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

6. Loans to customers (continued)

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Consumer and other loans to individuals				
<i>Collectively assessed</i>				
Not past due	578,454	(24,515)	553,939	4.2%
Loans up to 30 days overdue	4,713	(323)	4,390	6.9%
Loans 31 to 60 days overdue	1,348	(181)	1,167	13.4%
Loans 61 to 90 days overdue	517	(144)	373	27.9%
Loans 91 up to 180 days overdue	1,121	(619)	502	55.2%
Loans over 180 days overdue	715	(715)	-	100.0%
Total consumer and other loans to individuals	586,868	(26,497)	560,371	4.5%
Mortgage loans to individuals				
<i>Collectively assessed</i>				
Not past due	506,196	(21,108)	485,088	4.2%
Loans up to 30 days overdue	4,675	(206)	4,469	4.4%
Loans 31 to 60 days overdue	1,254	(57)	1,197	4.6%
Loans 61 to 90 days overdue	341	(20)	321	5.9%
Loans 91 up to 180 days overdue	1,269	(88)	1,181	6.9%
Loans over 180 days overdue	36	(36)	-	100.0%
Total mortgage loans to individuals	513,771	(21,515)	492,256	4.2%
Car loans to individuals				
<i>Collectively assessed</i>				
Not past due	17,383	(552)	16,831	3.2%
Loans up to 30 days overdue	155	(9)	146	5.8%
Loans 31 to 60 days overdue	8	(2)	6	25.0%
Loans 61 to 90 days overdue	5	(2)	3	40.0%
Loans 91 up to 180 days overdue	47	(29)	18	61.7%
Loans over 180 days overdue	29	(1)	28	3.5%
Total car loans to individuals	17,627	(595)	17,032	3.4%
Total loans to individuals	1,118,266	(48,607)	1,069,659	4.3%
Total loans and advances to customers as at 31 December 2012	21,980,262	(985,361)	20,994,901	4.5%

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

6. Loans to customers (continued)

As at 30 September 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	225,290	(84,582)	140,708	37.5%
Specialised loans to legal entities	88,878	(34,320)	54,558	38.6%
Consumer and other loans to individuals	8,716	(8,716)	-	100.0%
Mortgage loans to individuals	6,784	(6,784)	-	100.0%
Car loans to individuals	346	(346)	-	100.0%
Total non-performing loans to customers as at 30 September 2013 (unaudited)	330,014	(134,748)	195,266	40.8%

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

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities	131,838	(55,080)	76,758	41.8%
Specialised loans to legal entities	104,440	(12,548)	91,892	12.0%
Consumer and other loans to individuals	1,836	(1,334)	502	72.7%
Mortgage loans to individuals	1,305	(124)	1,181	9.5%
Car loans to individuals	76	(30)	46	39.5%
Total non-performing loans to customers as at 31 December 2012	239,495	(69,116)	170,379	28.9%

Movements in allowances for impairment losses for the periods ended 30 September 2013 and 30 September 2012 are disclosed in Note 19.

Information on loans which terms have been renegotiated, as at 30 September 2013 and 31 December 2012 is presented in the tables below. It shows the carrying amount for renegotiated loans by class.

	Commercial loans to legal entities	Specialised loans to legal entities	Total
Not past due renegotiated loans before allowance for loan impairment	131,719	103,310	235,029
Total renegotiated loans before allowance for loan impairment as at 30 September 2013 (unaudited)	131,719	103,310	235,029
	Commercial loans to legal entities	Specialised loans to legal entities	Total
Not past due renegotiated loans before allowance for loan impairment	3,586	2,283	5,869
Total renegotiated loans before allowance for loan impairment as at 31 December 2012	3,586	2,283	5,869

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

6. Loans to customers (continued)

Included in commercial loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 30 September 2013 and 31 December 2012 is as follows:

	30 September 2013 (unaudited)	31 December 2012
Gross investment in finance lease	322,934	293,131
Unearned future finance income on finance lease	(111,727)	(89,073)
Net investment in finance lease before allowance for impairment	211,207	204,058
Less allowance for impairment	(6,490)	(10,224)
Net investment in finance lease after allowance for impairment	204,717	193,834

The contractual maturity analysis of net investments in finance lease as at 30 September 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	91,575	(2,814)	88,761
Later than 1 year but not later than 5 years	119,170	(3,662)	115,508
Later than 5 years	462	(14)	448
Total as at 30 September 2013 (unaudited)	211,207	(6,490)	204,717

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

	Net investment in finance lease before allowance for impairment	Allowance for loan impairment	Net investment in finance lease after allowance for impairment
Not later than 1 year	78,494	(3,933)	74,561
Later than 1 year but not later than 5 years	125,546	(6,290)	119,256
Later than 5 years	18	(1)	17
Total as at 31 December 2012	204,058	(10,224)	193,834

The analysis of minimal finance lease receivables as at 30 September 2013 and 31 December 2012 per contractual maturity is as follows:

	30 September 2013 (unaudited)	31 December 2012
Not later than 1 year	160,209	121,214
Later than 1 year but not later than 5 years	162,189	171,898
Later than 5 years	536	19
Total	322,934	293,131

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

6. Loans to customers (continued)

Economic sector risk concentrations within the customer loan portfolio as at 30 September 2013 and 31 December 2012 are as follows:

	30 September 2013 (unaudited)		31 December 2012	
	Amount	%	Amount	%
Machinery and equipment	5,160,774	21.1	4,149,102	18.8
Trade and catering	2,960,772	12.1	2,795,241	12.7
Financial services	2,849,270	11.6	1,979,051	9.0
Food	2,424,422	9.9	1,676,299	7.6
Timber and woodworking industry	2,045,825	8.4	1,754,975	8.0
Chemical and oil refinery industry	1,655,744	6.8	1,751,600	8.0
Individuals	1,317,847	5.4	1,118,266	5.1
Construction	1,278,350	5.2	1,421,098	6.5
Transport and communication	1,128,244	4.6	1,290,153	5.9
Energy and fuel	1,000,535	4.1	1,027,497	4.7
Building materials	657,208	2.7	817,546	3.7
Light industry	652,147	2.7	680,816	3.1
Mining	582,132	2.4	540,474	2.5
Agriculture	277,556	1.1	248,914	1.1
Metallurgy	223,477	0.9	425,816	1.9
Other	280,976	1.1	303,414	1.4
Total loans to customers before allowance for loan impairment	24,495,279	100	21,980,262	100

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

	30 September 2013 (unaudited)	31 December 2012
Loans collateralized by real estate or rights thereon	5,287,465	3,844,924
Loans collateralized by equipment and rights thereon	4,765,678	4,940,260
Loans collateralized by lien over receivables	3,734,438	3,563,024
Loans collateralized by inventories	3,334,294	2,886,761
Loans collateralized by guarantees of the Government and local authorities	2,834,633	2,933,025
Loans collateralized by guarantees of enterprises	1,771,667	1,127,190
Loans collateralized by guarantees of individuals	951,309	881,928
Loans collateralized by cash or guarantee deposits	922,745	578,377
Loans collateralized by other types of collateral	893,050	1,224,773
	24,495,279	21,980,262
Less allowance for loan impairment	(1,009,891)	(985,361)
Total loans to customers	23,485,388	20,994,901

As at 30 September 2013 the aggregated loan amount of 20 largest borrowers was BYR 8,384,576 million or 34.2% of the total gross loan portfolio of the Group (31 December 2012: 7,668,384 BYR million or 34.9%).

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

As at 30 September 2013 loans to customers included specialized loans in USD in the amount of BYR 287,144 million provided to two borrowers (31 December 2012: BYR 321,116 million in USD provided to two borrowers) at 0.2% - 1.5% interest margin. The Group attracted long-term loans from the National Bank of the Republic of Belarus to provide these loans (Note 12).

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

7. Non-current assets held for sale

As of 30 September 2013 and 31 December 2012 non-current assets held for sale include premises previously used by the Group and machinery equipment of a bankrupted borrower. The Management has elaborated a plan to dispose premises and equipment. The sale transactions for these assets are expected to be completed in 2013.

During the 9 months ended 30 September 2013 the Management has decided to sell office premises, previously used in operating activity. According to IFRS 5 the premises were recognised as non-current asset held for sale and measured at the lower of its carrying amount and fair value. Net book value of the premises at the date of the transfer from "Premises and equipment" to "Non-current assets held for sale" amounted to BYR 8,735 million. The Group is in active search of a contracting party and expects to complete the transaction in 2013.

8. Investments available for sale

Investments available for sale comprise:

	<i>Interest to nominal, %</i>	<i>30 September 2013 (unaudited)</i>	<i>Interest to nominal, %</i>	<i>31 December 2012</i>
Long-term government bonds in foreign currency	6.85%-7.25%	545,865	-	-
Long-term government bonds in national currency	-	-	10.00%	209,516
Republic of Belarus Eurobonds	8.75%	221,641	8.75%	249,436
Bonds of Belarusian Development Bank	20.00%	201,825	20.00%	213,639
Bonds of Belarusian companies	7.00%-27.50%	62,316	8.00%-34.00%	115,807
Shares	-	17,991	-	17,162
Bonds issued by municipalities	23.50%	9,993	30.00%	9,921
Total investments available for sale		1,059,631		815,481

9. Investments held to maturity

Investments held to maturity comprise:

	<i>Currency</i>	<i>Maturity date</i>	<i>Interest to nominal</i>	<i>30 September 2013 (unaudited)</i>
Bonds of Belarusian Development Bank	BYR	October 2013	20.00%	342,012
Republic of Belarus Eurobonds	USD	August 2015	8.75%	156,741
Coupon long-term government bonds	BYR	September 2014	2.00%	27,783
Bonds issued by municipalities	BYR	July 2020	23.50%	11,031
Total investments held to maturity				537,567

	<i>Currency</i>	<i>Maturity date</i>	<i>Interest to nominal</i>	<i>31 December 2012</i>
Bonds of Belarusian Development Bank	BYR	October 2013	20.00%	359,817
Republic of Belarus Eurobonds	USD	August 2015	8.75%	166,243
Coupon long-term government bonds	BYR	September 2014	2.00%	28,575
Bonds issued by municipalities	BYR	July 2020	28.50%	11,674
Bonds of Belarusian companies	BYR	August 2013	32.50%	1,675
Total investments held to maturity				567,984

10. Premises and equipment and intangible assets

For the 9 months ended 30 September 2013 the Group's premises, equipment, and intangible assets additions amounted to BYR 223,523 million (for the 9 months ended 30 September 2012 - BYR 144,474 million), disposals of premises, equipment, and intangible assets amounted to 16,376 million (for the 9 months ended 30 September 2012 - BYR 548 million).

As at 30 September 2013 included in computer equipment are fully depreciated items in the amount of BYR 129,493 million (31 December 2012: BYR 123,139 million), in vehicles in the amount of BYR 22,221 million (31 December 2012: BYR 20,367 million) and in furniture and other assets in the amount of BYR 148,654 million (31 December 2012: BYR 144,932 million).

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

11. Other assets

Other assets comprise:

	30 September 2013 (unaudited)	31 December 2012
Other financial assets:		
Settlement accounts on other banking services	76,971	148,671
Accrued income	8,685	4,954
Compensation payments from participation in government program on supporting national producers of consumer goods	83	956
Other	7	-
	85,746	154,581
Other non-financial assets:		
Prepaid expenses	34,252	22,827
Precious metals	30,869	23,316
Taxes recoverable and prepaid, other than income taxes	28,802	33,100
Prepayments for premises, equipment and intangible assets	25,700	22,364
Inventory	18,030	12,784
Prepayments for assets to be transferred into finance lease	97	-
Other advances and prepayments	29,569	12,685
	167,319	127,076
Total other assets	253,065	281,657

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

At 30 September 2013 and 31 December 2012 the amounts due to the National Bank of the Republic of Belarus included long-term loans from the National Bank of the Republic of Belarus totaling BYR 287,525 million and BYR 321,954 million, respectively, granted in USD for further financing of two borrowers (Note 6). Contractually the Bank bears all credit risk and earns 0.2% - 1.5% interest margin on these agreements.

13. Due to banks

Due to banks comprise:

	30 September 2013 (unaudited)	31 December 2012
Loans from banks and financial institutions	10,011,577	6,520,789
Deposit in precious metals	2,624,758	3,769,120
Correspondent accounts of banks	218,395	428,817
Repo agreements	-	90,839
Total due to banks	12,854,730	10,809,565

At 30 September 2013 a balance of due to banks amounting to BYR 11,129,363 million was due to four counterparties, including BYR 9,768,770 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

At 31 December 2012 a balance of due to banks amounting to BYR 8,677,371 million was due to four counterparties, including BYR 7,839,600 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 30 September 2013)

14. Due to individuals and due to corporate customers

Due to individuals and corporate customers comprise:

	30 September 2013 (unaudited)	31 December 2012
Individuals:		
-Current/demand accounts	2,070,816	1,935,592
-Term deposits	7,073,651	6,598,734
Total due to individuals	9,144,467	8,534,326
State and public organisations:		
-Current/settlement accounts	126,958	161,461
-Term deposits	314,940	365,438
Total due to state and public organisations	441,898	526,899
Other corporate customers:		
-Current/settlement accounts	3,117,385	4,214,458
-Term deposits	5,524,935	5,359,119
Total due to other corporate customers	8,642,320	9,573,577
Total due to corporate customers	9,084,218	10,100,476
Total due to individuals and corporate customers	18,228,685	18,634,802

As at 30 September 2013 included in due to corporate customers are deposits of BYR 1,480,992 million (31 December 2012: BYR 1,255,910 million) held as collateral for irrevocable commitments under import letters of credit.

As at 30 September 2013 the aggregated balances of 20 largest customers was BYR 4,137,666 million or 22.7% of total due to individuals and corporate customers (31 December 2012: BYR 3,382,057 million or 18.1%).

Industry sector concentrations within customer accounts are as follows:

	30 September 2013 (unaudited)		31 December 2012	
	Amount	%	Amount	%
Individuals	9,144,467	50.2	8,534,326	45.8
Oil refinery and chemical industry	1,691,973	9.3	1,224,177	6.6
Trade	1,522,685	8.4	1,509,764	8.1
Machinery and equipment	1,245,518	6.8	1,695,804	9.1
Insurance and other financial services	918,078	5.0	1,111,065	6.0
Construction	883,179	4.8	1,547,162	8.3
Transport and communications	828,249	4.5	765,338	4.1
Education	291,220	1.5	292,379	1.6
Energy	203,261	1.1	240,146	1.3
Building materials industry	200,544	1.1	228,851	1.2
Woodworking and timber industry	177,754	1.0	240,015	1.3
Agriculture	97,942	0.5	16,204	0.1
Mining	83,488	0.5	72,662	0.4
Food	71,582	0.4	75,779	0.4
Light industry	63,805	0.4	107,796	0.6
State and government bodies	49,011	0.3	120,842	0.6
Metallurgy	33,565	0.2	82,210	0.4
Other	722,364	4.0	770,282	4.1
Total due to individuals and corporate customers	18,228,685	100.0	18,634,802	100.0

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

15. Debt securities issued

Debt securities issued comprise:

	30 September 2013 (unaudited)	31 December 2012
Bonds issued to legal entities	957,644	1,123,632
Bonds issued to individuals	170,470	131,267
Certificates of deposit	2,446	4,309
Saving certificates	2	3
Total debt securities issued	1,130,562	1,259,211

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 December 2015 (31 December 2012: from "on demand" to May 2014). Interest rates on such bonds vary from 4.5-7.0% (for bonds in USD, EUR and RUB) to 23.5% (for bonds in BYR) p.a. (31 December 2012: from 5% to 30% p.a.).

Bonds issued to individuals are interest-bearing securities issued by the Group. They are denominated in BYR, USD and Euro and have maturity dates from "on demand" to October 2014 (31 December 2012: from "on demand" to October 2014). Interest rates on such bonds vary from 7.0% (for bonds in USD and EUR) to 29.5% (for bonds in BYR) p.a. (31 December 2012: from 7.0% to 36.0% p.a.).

Certificates of deposit and saving certificates are interest-bearing securities issued by the Group. They are denominated in BYR and have maturity dates from "on demand" to January 2014 (31 December 2012: from "on demand" to December 2013). Interest rates on such securities vary from 15.5% to 37.0% p.a. (31 December 2012: from 15.5% to 37.0% p.a.).

16. Other liabilities

Other liabilities comprise:

	30 September 2013 (unaudited)	31 December 2012
Other financial liabilities:		
Settlement accounts on other banking services	45,045	39,243
Accrued fee payable under documentary transactions and transactions with plastic cards	23,687	26,765
Payables for premises and equipment	20,067	4,705
Payments due to other contractors	13,764	25,676
Payables for assets to be transferred into finance lease	3,355	4,439
	105,918	100,828
Other non-financial liabilities:		
Unused leave and bonus accrual	41,649	74,813
Taxes payable, other than income taxes	36,440	30,630
Accrued contributions to deposits protection fund	27,453	25,198
Other	6,934	982
	112,476	131,623
Total other liabilities	218,394	232,451

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

17. Share capital

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

	<i>Number of shares</i>		<i>Nominal amount, BYR</i>		<i>Inflation adjustment</i>	<i>Total, mln. BYR</i>
	<i>Preferred</i>	<i>Ordinary</i>	<i>Preferred</i>	<i>Ordinary</i>		
31 December 2012	871,112	1,102,828,888	500	500	1,884,574	2,436,424
30 September 2013 (unaudited)	871,112	1,102,828,888	500	500	1,884,574	2,436,424

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 9 months ended 30 September 2013 the Bank declared BYR 21,833 million and BYR 19 million dividends on ordinary and preference shares for the year 2012, respectively. The dividends were BYR 20 per ordinary share and BYR 21 per preference share.

During the 9 months ended 30 September 2012 the Bank declared BYR 13,284 million and BYR 24 million dividends on ordinary and preference shares for the year 2011, respectively. The dividends were BYR 12 per ordinary share and BYR 28 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 576,934 million of undistributed and unreserved earnings as at 30 September 2013 not reviewed (31 December 2012: BYR 724,295 million).

18. Net interest income before loan impairment

The net interest income before allowance for loan impairment comprises:

	3 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Interest income				
Interest on loans to corporate customers	813,848	819,965	2,490,410	2,645,904
Interest on loans to individuals	75,922	54,535	219,536	235,631
Interest on investments held to maturity	28,192	2,339	83,041	6,900
Interest on investments available for sale	26,264	61,958	77,571	162,690
Interest on due from banks	9,233	15,396	57,718	178,624
Compensation payments on participation in government program	101	1,295	705	4,736
Total interest income	953,560	955,488	2,928,981	3,234,485
Interest expense				
Interest on due to corporate customers	242,240	220,738	714,789	728,802
Interest on due to individuals	168,968	164,934	512,585	608,660
Interest on deposits from banks	128,565	90,016	369,777	321,733
Interest on debt securities issued	37,247	63,624	128,039	221,724
Interest on deposits from National Bank	5,510	7,059	23,973	22,519
Total interest expense	582,530	546,371	1,749,163	1,903,438
Net interest income before allowance for loan impairment	371,030	409,117	1,179,818	1,331,047

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

19. Allowance for loan impairment, other provisions

The movements in allowance for loan impairment were as follows:

	<i>Commercial loans</i>	<i>Specialized loans</i>	<i>Loans to individuals</i>			<i>Total</i>
			<i>Consumer and other loans</i>	<i>Mortgage loans</i>	<i>Car loans</i>	
31 December 2011	309,200	423,422	26,962	27,589	1,157	788,330
Allowance charge/ (Reversal of allowance) for the period	10,816	96,284	(6,316)	(720)	1,538	101,602
Amounts written off	-	(1,396)	-	-	-	(1,396)
Inflation effect	(42,465)	(58,149)	(3,703)	(3,789)	(159)	(108,265)
30 September 2012 (unaudited)	277,551	460,161	16,943	23,080	2,536	780,271
31 December 2012	405,566	531,188	26,497	21,515	595	985,361
Allowance charge/ (Reversal of allowance) for the period	48,970	85,278	(11,969)	(8,237)	(15)	114,027
Inflation effect	(36,836)	(48,246)	(2,407)	(1,954)	(54)	(89,497)
30 September 2013 (unaudited)	417,700	568,220	12,121	11,324	526	1,009,891

The movements in provision on other transactions were as follows:

	<i>Guarantees and other commitments</i>
31 December 2011	7,028
Reversal of provision	(4,352)
Inflation effect	(965)
30 September 2012 (unaudited)	1,711
31 December 2012	11,897
Reversal of provision	(3,765)
Inflation effect	(1,081)
30 September 2013 (unaudited)	7,051

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

20. Fee and commission income and expense

Fee and commission income and expense comprise:

	3 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Fee and commission income				
Other operations with plastic cards	83,098	57,998	222,077	148,179
Salary transfer on card accounts and related cash withdrawals	78,724	70,529	219,626	192,841
Settlement and cash operations with clients	44,812	45,400	133,351	123,741
Documentary operations	39,646	33,550	119,959	94,360
Foreign exchange operations	25,744	24,490	70,224	70,141
Cash delivery and collection	13,883	12,375	38,565	34,095
Settlements with banks	3,905	1,949	8,063	6,970
Securities operations	460	508	1,738	1,864
Other	4,147	948	8,408	3,339
Total fee and commission income	294,419	247,747	822,011	675,530
Fee and commission expense				
Plastic cards operations	45,090	34,317	116,103	83,981
Documentary operations	26,757	20,033	78,361	56,151
Correspondent bank services	2,745	2,820	8,392	7,908
Cash delivery and collection	2,362	2,803	5,530	7,988
Foreign exchange and cash operations	1,391	1,334	3,758	4,825
Other	1,561	1,007	2,274	4,315
Total fee and commission expense	79,906	62,314	214,418	165,168

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

Net gain on foreign exchange operations comprises:

	3 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Net gains arising from trading in foreign currencies	319,814	58,867	479,394	190,405
Net foreign exchange translation losses	(179,305)	(156,387)	(207,953)	(196,481)
Net (losses)/gains from operations with foreign currency derivatives	(13,932)	204,195	(220,849)	7,227
Total net gain on foreign exchange operations	126,577	106,675	50,592	1,151

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

	3 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Net (losses)/gains from operations with physical precious metals	(254,513)	20,989	(316,869)	24,445
Net precious metals translations (losses)/gains	(517,324)	(634,031)	601,040	(700,241)
Net gains/(losses) from operations with precious metals derivatives	642,087	543,661	(449,192)	412,331
Total net loss from operations with precious metals	(129,750)	(69,381)	(165,021)	(263,465)

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

22. Other income

Other income comprises:

	3 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Repayment of loans previously written off	1,918	2,525	6,071	12,832
Income from non-banking activities of subsidiaries	1,194	3,855	3,660	8,037
Penalties received	629	-	1,984	-
Income from operating leases	78	84	247	269
Income from sale of premises, equipment and other assets	-	627	-	-
Other	2,609	1,042	7,354	7,928
Total other income	6,428	8,133	19,316	29,066

23. Operating expenses

Operating expenses comprise:

	3 months ended 30 September 2013 (unaudited)	3 months ended 30 September 2012 (unaudited)	9 months ended 30 September 2013 (unaudited)	9 months ended 30 September 2012 (unaudited)
Staff costs	170,448	115,327	438,545	418,429
Social security contribution	45,145	33,877	113,303	114,845
Other staff expenses	2,916	3,742	8,068	9,052
Personnel expenses	218,509	152,946	559,916	542,326
Depreciation and amortization	32,625	28,946	93,572	80,948
Contributions to deposits protection fund	26,854	24,915	77,312	72,664
Premises and equipment maintenance	25,907	22,955	68,291	43,770
Expenses on maintenance of banking software	17,637	17,965	47,346	42,126
Taxes, other than income taxes	11,516	7,261	30,305	20,858
Operating leases	9,724	8,124	25,997	22,988
Advertising costs	8,349	7,028	29,210	22,218
Security expenses	7,815	8,779	23,217	21,761
Stationery	4,405	6,683	14,818	19,693
Public utilities payments	3,992	4,536	16,089	18,069
Legal and consulting services	2,728	2,186	6,962	10,753
Vehicles maintenance and fuel expenses	2,269	2,786	7,033	7,861
Communications	1,677	1,507	4,692	3,784
Charity and sponsorship expenses	328	1,831	2,982	4,808
Net loss from sale of premises, equipment and other assets	3,526	-	4,823	349
Other expenses	18,336	25,950	76,726	68,376
Other operating expenses	177,688	171,452	529,375	461,026
Total operating expenses	396,197	324,398	1,089,291	1,003,352

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

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 7,051 million and BYR 11,897 million as at 30 September 2013 and 31 December 2012, respectively (Note 19).

As at 30 September 2013 and 31 December 2012 the nominal or contract amounts of contingent liabilities were:

	30 September 2013 (unaudited)	31 December 2012
Contingent liabilities and credit commitments		
Commitments on loans and unused credit lines	2,278,323	1,900,815
Uncovered letters of credit	1,792,597	2,177,971
Letters of credit secured by cash	1,480,992	1,255,911
Guarantees issued and similar commitments	984,594	1,265,081
Total contingent liabilities and credit commitments	6,536,506	6,599,778

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancelable operating leases as at 30 September 2013 and 31 December 2012 are as follows:

	30 September 2013 (unaudited)	31 December 2012
Not later than 1 year	40,075	27,519
Later than 1 year and not later than 5 years	55,671	40,355
Later than 5 years	2,798	1,443
Total operating lease commitments	98,544	69,317

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 30 September 2013 and 31 December 2012 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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

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

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

24. Commitments and contingencies (continued)

Significant financial support from Russia, which consisted in issuing loans in 2011 and 2012 and participating in privatization of state owned assets at the end of 2011, and an excess of the foreign trade balance contributed to a noticeable increase in the National Bank's reserves and stabilization of the macroeconomic situation in the country in 2012.

For the 9 months of 2013 stabilization of the macroeconomic environment in Belarus was continued. The slowdown in inflation which comprised 10.0% for the 9 months of 2013 had positive impact on the economy. The National Bank decreased the refinance rate from 30% as at 31 December 2012 to 23.5% as at 30 September 2013 which led to the decrease in bank loan rates for legal entities and individuals. The exchange rates towards major foreign currencies remained stable during the 9 months of 2013.

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

25. Transactions with related parties

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

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

The Group had the following transactions outstanding as at 30 September 2013 and 31 December 2012 with related parties:

	30 September 2013 (unaudited)		31 December 2012	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	59,254	4,837,243	82,385	4,384,476
- parent bank	59,254		82,385	
Loans to corporate customers, gross	44,115	23,177,432	77,055	20,861,996
- associates	44,115		77,055	
Loans to individuals, gross	26,131	1,317,847	21,040	1,118,266
- key management personnel	26,131		21,040	
Allowance for impairment losses	937	1,009,891	8,689	985,361
- associates	462		7,774	
- key management personnel	475		915	
Investments in associates	49,361	49,361	41,498	41,498
Due to banks	9,768,770	12,854,730	7,839,601	10,809,565
- parent bank	9,768,770		7,839,601	
Subordinated debt	490,097	490,097	499,311	499,311
- parent bank	490,097		499,311	
Due to individuals	23,147	9,144,467	10,512	8,534,326
- key management personnel	23,147		10,512	
Due to corporate customers	77,246	9,084,218	120,226	10,100,476
- associates	77,246		120,226	
Commitments and contingencies	287	6,536,506	6,572	6,599,778
- associates	-		6,236	
- key management personnel	287		336	

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

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 458,673 million and BYR 485,601 million as of 30 September 2013 and 31 December 2012 respectively at an interest rate of 7.94%, repayable on 31 December 2018.

Included in the interim condensed consolidated income statement for the 9 months ended 30 September 2013 and 9 months ended 30 September 2012 are the following amounts which arose due to transactions with related parties:

	9 months ended 30 September 2013 (unaudited)		9 months ended 30 September 2012 (unaudited)	
	Related party transactions	Total category as per the financial statements caption	Related party transactions	Total category as per the financial statements caption
Interest income	9,322	2,928,981	14,535	3,234,485
- parent bank	2,256		2,743	
- associates	5,948		10,665	
- key management personnel	1,118		1,127	
Fee and commission income	3,423	822,011	120	675,530
- parent bank	3305		2	
- associates	94		105	
- key management personnel	24		13	
Interest expense	(301,927)	(1,749,163)	(246,260)	(1,903,438)
- parent bank	(296,792)		(241,833)	
- associates	(1,664)		(2,463)	
- key management personnel	(3,471)		(1,964)	
Allowance for loan impairment	(7,751)	(114,027)	(10,808)	(101,602)
- associates	(7,312)		(10,376)	
- key management personnel	(439)		(432)	
Fee and commission expense	(56,177)	(214,418)	(25,207)	(165,168)
- parent bank	(56,177)		(25,207)	
Staff costs	(14,631)	(438,545)	(17,245)	(418,429)
- key management personnel	(14,631)		(17,245)	

During the 9 months ended 30 September 2013 and 9 months ended 30 September 2012 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.

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.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

26. Segment reporting (continued)

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:

	<i>Retail banking</i>	<i>Corporate banking</i>	<i>Unallocated</i>	<i>30 September 2013/ 9 months ended 30 September 2013 Total (unaudited)</i>
Interest income	220,241	2,490,410	218,330	2,928,981
Interest expense	(531,933)	(823,480)	(393,750)	(1,749,163)
Allowance for impairment losses on interest bearing assets	20,221	(134,248)	-	(114,027)
Fee and commission income	460,999	288,972	72,040	822,011
Fee and commission expense	(82,433)	(102,694)	(29,291)	(214,418)
Net losses arising from investment securities available for sale	-	-	(659)	(659)
Net (losses)/gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation (losses)/gains	(360,880)	1,132,194	(720,722)	50,592
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains	-	-	(165,021)	(165,021)
Other provisions	-	3,765	-	3,765
Other income	-	-	19,316	19,316
Operating (expense)/income	(273,785)	2,854,919	(999,757)	1,581,377
Income/(expense) from other segments	958,535	(1,080,642)	122,107	-
Total operating income/(loss)	684,750	1,774,277	(877,650)	1,581,377
Operating expenses	-	-	(1,089,291)	(1,089,291)
Share of results of an associate	-	-	11,636	11,636
Profit/(Loss) before loss on net monetary position	684,750	1,774,277	(1,955,305)	503,722
Loss on net monetary position due to inflation effect	391	(46,491)	(127,088)	(173,188)
Profit/(Loss) before income taxes	685,141	1,727,786	(2,082,393)	330,534
Income tax expense	-	-	(88,427)	(88,427)
Net profit/(loss)	685,141	1,727,786	(2,170,820)	242,107
Segment assets	1,317,847	23,177,432	12,105,175	36,600,454
Segment liabilities	(9,314,939)	(10,044,308)	(14,089,737)	(33,448,984)
Other segment items				
Loans to customers	1,317,847	23,177,432	-	24,495,279
Customer accounts	(9,144,467)	(9,084,218)	-	(18,228,685)
Debt securities issued	(170,472)	(960,090)	-	(1,130,562)

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble as of 30 September 2013)

26. Segment reporting (continued)

				31 December 2012/ 9 months ended 30 September 2012 Total (unaudited)
	Retail banking	Corporate banking	Unallocated	
Interest income	240,367	2,645,904	348,214	3,234,485
Interest expense	(628,425)	(930,761)	(344,252)	(1,903,438)
Allowance for impairment losses on interest bearing assets	5,499	(107,101)	-	(101,602)
Fee and commission income	376,262	243,352	55,916	675,530
Fee and commission expense	(59,627)	(82,517)	(23,024)	(165,168)
Net losses arising from investment securities available for sale	-	-	(4,424)	(4,424)
Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains/(losses)	(114,384)	341,124	(225,589)	1,151
Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations losses	-	-	(263,465)	(263,465)
Other provisions	-	4,352	-	4,352
Other income	-	-	29,066	29,066
Operating (expense)/ income	(180,308)	2,114,353	(427,558)	1,506,487
Income/(expense) from other segments	704,544	(775,581)	71,037	-
Total operating income	524,236	1,338,772	(356,521)	1,506,487
Operating expenses	-	-	(1,003,352)	(1,003,352)
Share of results of an associate	-	-	5,994	5,994
Profit/(loss) before loss on net monetary position	524,236	1,338,772	(1,353,879)	509,129
Loss on net monetary position due to inflation effect	25,955	(137,909)	(188,468)	(300,422)
Profit/(loss) before income taxes	550,191	1,200,863	(1,542,347)	208,707
Income tax expense	-	-	(85,885)	(85,885)
Net profit/(loss)	550,191	1,200,863	(1,628,232)	122,822
Segment assets	1,118,266	20,861,996	13,034,397	35,014,659
Segment liabilities	(8,665,596)	(11,228,417)	(12,153,829)	(32,047,842)
Other segment items				
Loans to customers	1,118,266	20,861,996	-	21,980,262
Customer accounts	(8,534,326)	(10,100,476)	-	(18,634,802)
Debt securities issued	(131,270)	(1,127,941)	-	(1,259,211)

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 30 September 2013)

27. Fair value of financial instruments

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

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

	30 September 2013 (unaudited)			31 December 2012		
	Carrying value	Fair value	Unrecognised (loss)	Carrying value	Fair value	Unrecognised (loss)
Cash and cash equivalents	4,837,243	4,837,243	-	4,384,476	4,384,476	-
Mandatory cash balances with the National Bank of the Republic of Belarus	204,670	204,670	-	206,248	206,248	-
Due from banks	154,795	154,795	-	197,532	197,532	-
Loans to corporate customers	22,191,512	22,121,352	(70,160)	19,925,242	19,885,193	(40,049)
Loans to individuals	1,293,876	1,288,732	(5,144)	1,069,659	1,023,761	(45,898)
Investments held to maturity	537,567	528,419	(9,148)	567,984	562,481	(5,503)
Other financial assets	85,746	85,746	-	154,581	154,581	-
Loans from the National Bank of the Republic of Belarus	287,525	287,525	-	321,954	321,954	-
Due to banks	12,854,730	12,854,730	-	10,809,565	10,809,565	-
Due to individuals	9,144,467	9,144,467	-	8,534,326	8,534,326	-
Due to corporate customers	9,084,218	9,082,598	(1,620)	10,100,476	10,100,012	(464)
Debt securities issued	1,130,562	1,130,562	-	1,259,211	1,259,211	-
Other financial liabilities	105,918	105,918	-	100,828	100,828	-
Subordinated debt	490,097	490,097	-	499,311	499,311	-

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 financial instruments recognised at fair value is as follows:

As at 30 September 2013 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets:				
Derivative financial instruments	-	7,407	4,573,342	4,580,749
Investments available for sale	221,641	819,999	-	1,041,640
Equity investments available for sale	4,770	-	-	4,770
Total financial assets	226,411	827,406	4,573,342	5,627,159
Financial liabilities				
Derivative financial instruments	5,094	42,636	5,218	52,948
Total financial liabilities	5,094	42,636	5,218	52,948
As at 31 December 2012				
Financial assets:				
Derivative financial instruments	113	1,699	6,164,426	6,166,238
Investments available for sale	249,436	548,883	-	798,319
Equity investments available for sale	3,928	-	-	3,928
Total financial assets	253,477	550,582	6,164,426	6,968,485
Financial liabilities				
Derivative financial instruments	2,430	31,732	16,086	50,248
Total financial liabilities	2,430	31,732	16,086	50,248

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

	At 1 January 2013	Total loss recorded in profit or loss	Settlements	Inflation effect	At 30 September 2013 (unaudited)
Financial assets					
Derivative financial assets	6,164,426	(258,664)	(772,527)	(559,893)	4,573,342
Total level 3 financial assets	6,164,426	(258,664)	(772,527)	(559,893)	4,573,342
Financial liabilities					
Derivative financial liabilities	(16,086)	(4,490)	13,897	1,461	(5,218)
Total level 3 financial liabilities	(16,086)	(4,490)	13,897	1,461	(5,218)

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

	30 September 2013 (unaudited)		31 December 2012	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets				
Derivative financial instruments	4,573,342	(85,126)	6,164,426	(154,845)
Financial liabilities				
Derivative financial liabilities	(5,218)	(137)	(16,086)	(2,768)

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27. Fair value of financial instruments (continued)

The inputs used for estimation of fair values of foreign currency derivatives for 30 September 2013 and 31 December 2012 were the yield to maturity of the Belarusian Eurobonds in USD 10.59% and 7.44%, respectively. The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date - 38.3% (31 December 2012: 37.0%). Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 1.9% lower (31 December 2012: 3.1% lower).

28. Capital management

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

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

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

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

As at 30 September 2013 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 3,641,567 million and tier 1 capital amount was BYR 2,933,538 million with ratios of 12.2% and 9.8%, respectively.

As at 31 December 2012 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 3,466,128 million and tier 1 capital amount was BYR 2,699,754 million with ratios of 11.7% and 9.1%, respectively.

As at 30 September 2013 and 31 December 2012 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 11.2% and 9.6%, respectively.

29. Risk management policies

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

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

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

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29. Risk management policies (continued)

Credit risk

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

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

30 September 2013 (unaudited)

	AA	A	BBB	BB	B	CCC	Not rated	Total
Cash equivalents	212	176,011	59,832	-	2,935,897	14621	28,831	3,215,404
Mandatory cash balances with the National Bank	-	-	-	-	204,670	-	-	204,670
Due from banks	-	-	-	-	999	140,169	13,627	154,795
Derivative financial assets	-	-	2,779	-	4,573,341	-	4,629	4,580,749
Loans to corporate customers	-	-	-	-	-	-	22,191,512	22,191,512
Loans to individuals	-	-	-	-	-	-	1,293,876	1,293,876
Investments available for sale	-	4,770	-	-	969,331	-	85,530	1,059,631
Investments held to maturity	-	-	-	-	526,536	-	11,031	537,567
Other financial assets	-	-	-	-	-	-	85,746	85,746

31 December 2012

	AA	A	BBB	BB	B	CCC	Not rated	Total
Cash equivalents	370,414	283,825	138,651	-	1,967,920	52,725	95,640	2,909,175
Mandatory cash balances with the National Bank	-	-	-	-	206,248	-	-	206,248
Due from banks	-	-	-	-	197,532	-	-	197,532
Derivative financial assets	-	-	1,777	-	6,164,426	-	35	6,166,238
Loans to corporate customers	-	-	-	-	-	-	19,925,242	19,925,242
Loans to individuals	-	-	-	-	-	-	1,069,659	1,069,659
Investments available for sale	-	3,928	-	-	672,591	-	138,962	815,481
Investments held to maturity	-	-	-	-	554,635	-	13,349	567,984
Other financial assets	-	-	-	-	-	-	154,581	154,581

As at 30 September 2013 and 31 December 2012 other financial assets comprised past due but not impaired assets in the amount of 1,268 BYR million and 508 BYR million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 6.

As at 30 September 2013 and 31 December 2012 the Group had neither past due nor impaired financial assets in addition to the above mentioned.

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29. Risk management policies (continued)

Geographical concentration

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

30 September 2013 (unaudited)	Belarus	CIS Countries	OECD Countries	Non-OECD countries	Total
Financial assets					
Cash and cash equivalents	4,597,691	61,327	175,632	2,593	4,837,243
Mandatory cash balances with the National Bank	204,670	-	-	-	204,670
Due from banks	154,795	-	-	-	154,795
Derivative financial assets	4,577,970	2,779	-	-	4,580,749
Loans to corporate customers	22,172,001	19,511	-	-	22,191,512
Loans to individuals	1,293,876	-	-	-	1,293,876
Investments available for sale	1,054,861	-	4,770	-	1,059,631
Investments held to maturity	537,567	-	-	-	537,567
Other financial assets	85,746	-	-	-	85,746
Total financial assets	34,679,177	83,617	180,402	2,593	34,945,789
Financial liabilities					
Loans from the National Bank	287,525	-	-	-	287,525
Due to banks	225,918	10,371,807	2,246,975	10,030	12,854,730
Derivative financial liabilities	7,362	45,585	1	-	52,948
Due to individuals	9,144,467	-	-	-	9,144,467
Due to corporate customers	8,939,040	11,123	2,072	131,983	9,084,218
Debt securities issued	1,130,562	-	-	-	1,130,562
Other financial liabilities	105,918	-	-	-	105,918
Subordinated debt	-	490,097	-	-	490,097
Total financial liabilities	19,840,792	10,918,612	2,249,048	142,013	33,150,465
Net position	14,838,385	(10,834,995)	(2,068,646)	(139,420)	

(in millions of Belarusian Roubles in terms of purchasing power of the Belarusian Rouble
as of 30 September 2013)

29. Risk management policies (continued)

Geographical concentration (continued)

31 December 2012	<i>Belarus</i>	<i>CIS Countries</i>	<i>OECD Countries</i>	<i>Non-OECD countries</i>	<i>Total</i>
Financial assets					
Cash and cash equivalents	3,583,541	139,199	653,557	8,179	4,384,476
Mandatory cash balances with the National Bank	206,248	-	-	-	206,248
Due from banks	197,532	-	-	-	197,532
Derivative financial assets	6,164,461	1,777	-	-	6,166,238
Loans to corporate customers	19,925,242	-	-	-	19,925,242
Loans to individuals	1,069,659	-	-	-	1,069,659
Investments available for sale	811,553	-	3,928	-	815,481
Investments held to maturity	567,984	-	-	-	567,984
Other financial assets	154,581	-	-	-	154,581
Total financial assets	32,680,801	140,976	657,485	8,179	33,487,441
Financial liabilities					
Loans from the National Bank	321,954	-	-	-	321,954
Due to banks	500,398	8,178,235	2,109,021	21,911	10,809,565
Derivative financial liabilities	16,086	34,162	-	-	50,248
Due to individuals	8,534,326	-	-	-	8,534,326
Due to corporate customers	9,478,955	10,104	1,218	610,199	10,100,476
Debt securities issued	1,259,211	-	-	-	1,259,211
Other financial liabilities	100,828	-	-	-	100,828
Subordinated debt	-	499,311	-	-	499,311
Total financial liabilities	20,211,758	8,721,812	2,110,239	632,110	31,675,919
Net position	12,469,043	(8,580,836)	(1,452,754)	(623,931)	

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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.

30 September 2013 (unaudited)	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>	<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
Assets									
Cash and cash equivalents	4,837,243	-	-	-	-	-	-	-	4,837,243
Mandatory cash balances with The National Bank	80,355	52,582	31,397	36,656	102	3,578	-	-	204,670
Due from banks	40,926	44,797	9,959	36,252	1,131	20,731	-	999	154,795
Derivative financial assets	1,269,171	1,705,546	-	1,606,032	-	-	-	-	4,580,749
Loans to corporate customers	1,827,648	6,494,258	4,095,108	5,893,133	136,481	3,477,969	266,915	-	22,191,512
Loans to individuals	36,274	88,779	184,090	395,650	11,003	566,618	11,462	-	1,293,876
Non-current asset held for sale	-	-	25,934	-	-	-	-	-	25,934
Investments available for sale	207,055	60,228	-	514,393	249,971	9,576	417	17,991	1,059,631
Investments held to maturity	342,013	2,150	27,783	154,590	-	10,614	417	-	537,567
Investments in an associate	-	-	-	-	-	-	-	49,361	49,361
Premises and equipment	-	-	-	-	-	-	-	1,209,569	1,209,569
Intangible assets	-	-	-	-	-	-	-	110,845	110,845
Current income tax assets	-	91,637	-	-	-	-	-	-	91,637
Other assets	195,635	34,947	297	2,567	150	18,198	1,268	3	253,065
Total assets	8,836,320	8,574,924	4,374,568	8,639,273	398,838	4,107,284	280,479	1,388,768	36,600,454
Liabilities									
Loans from the National Bank	57,065	2,552	182,508	45,400	-	-	-	-	287,525
Due to banks	4,167,571	1,963,990	823,648	5,738,797	7,353	153,371	-	-	12,854,730
Derivative financial liabilities	10,514	37,448	100	4,886	-	-	-	-	52,948
Due to individuals	2,654,863	3,533,674	1,179,261	1,755,475	8,319	12,875	-	-	9,144,467
Due to corporate customers	5,989,701	980,086	1,083,504	752,424	-	278,503	-	-	9,084,218
Debt securities issued	33,066	207,676	365,143	524,677	-	-	-	-	1,130,562
Current income tax liabilities	-	121,333	-	-	-	-	-	-	121,333
Deferred income tax liabilities	-	-	-	-	-	-	-	57,659	57,659
Provisions for guarantees and other commitments	418	-	-	6,633	-	-	-	-	7,051
Other liabilities	161,473	45,127	1,595	1,370	24	8,805	-	-	218,394
Subordinated debt	97	-	-	-	-	490,000	-	-	490,097
Total liabilities	13,074,768	6,891,886	3,635,759	8,829,662	15,696	943,554	-	57,659	33,448,984
Net liquidity surplus/(gap)	(4,238,448)	1,683,038	738,809	(190,389)	383,142	3,163,730	280,479	1,331,109	3,151,470
Cumulative liquidity gap as at 30 September 2013	(4,238,448)	(2,555,410)	(1,816,601)	(2,006,990)	(1,623,848)	1,539,882	1,820,361	3,151,470	

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29. Risk management policies (continued)

Liquidity risk (continued)

31 December 2012	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>	<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
Assets									
Cash and cash equivalents	4,384,476	-	-	-	-	-	-	-	4,384,476
Mandatory cash balances with The National Bank	66,940	45,756	46,475	42,843	319	3,915	-	-	206,248
Due from banks	89,960	10,019	17,465	44,588	-	35,500	-	-	197,532
Derivative financial assets	107	851,328	3,027,275	1,503,496	784,032	-	-	-	6,166,238
Loans to corporate customers	1,183,663	6,257,352	3,542,531	5,427,871	166,591	3,167,294	179,940	-	19,925,242
Loans to individuals	34,299	76,135	149,590	322,915	6,291	468,716	11,713	-	1,069,659
Non-current asset held for sale	-	-	17,199	-	-	-	-	-	17,199
Investments available for sale	2,133	219,203	237,830	322,161	-	16,991	-	17,163	815,481
Investments held to maturity	-	5,813	361,438	189,059	-	11,674	-	-	567,984
Investments in an associate	-	-	-	-	-	-	-	41,498	41,498
Premises and equipment	-	-	-	-	-	-	-	1,128,340	1,128,340
Intangible assets	-	-	-	-	-	-	-	87,234	87,234
Current income tax assets	-	125,871	-	-	-	-	-	-	125,871
Other assets	230,983	24,904	1,435	895	-	12,784	508	10,148	281,657
Total assets	5,992,561	7,616,381	7,401,238	7,853,828	957,233	3,716,874	192,161	1,284,383	35,014,659
Liabilities									
Loans from the National Bank	683	14,576	69,870	236,825	-	-	-	-	321,954
Due to banks	2,939,661	2,813,394	3,425,565	1,379,171	20,410	231,364	-	-	10,809,565
Derivative financial liabilities	7,468	36,709	3,641	2,430	-	-	-	-	50,248
Due to individuals	1,882,048	2,540,637	2,405,407	1,664,872	27,479	13,883	-	-	8,534,326
Due to corporate customers	5,585,897	1,199,100	1,699,560	1,292,296	1	323,622	-	-	10,100,476
Debt securities issued	7,879	434,300	1,509	815,523	-	-	-	-	1,259,211
Current income tax liabilities	-	132,685	-	-	-	-	-	-	132,685
Deferred income tax liabilities	-	-	-	-	-	-	-	95,718	95,718
Provisions for guarantees and other commitments	1,081	6,615	1,358	2,843	-	-	-	-	11,897
Other liabilities	169,925	52,002	4,920	2,168	310	3,096	-	30	232,451
Subordinated debt	396	-	-	-	-	498,915	-	-	499,311
Total liabilities	10,595,038	7,230,018	7,611,830	5,396,128	48,200	1,070,880	-	95,748	32,047,842
Net liquidity surplus/(gap)	(4,602,477)	386,363	(210,592)	2,457,700	909,033	2,645,994	192,161	1,188,635	2,966,817
Cumulative liquidity gap as at 31 December 2012	(4,602,477)	(4,216,114)	(4,426,706)	(1,969,006)	(1,059,973)	1,586,021	1,778,182	2,966,817	

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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 30 September 2013 and 31 December 2012 are estimated in the amount of BYR 2,881,010 million and BYR 2,889,638 million, respectively. As at 30 September 2013 and 31 December 2012 included in due to banks were funds attracted from parent bank in the amount of BYR 9,768,770 million and BYR 7,839,601 million, respectively, comprising of short-term loans, which, as a rule, are being reinvested on maturity dates. Based on going concern assumptions the effective maturities of core deposits of funds from parent bank are considered to be undefined. Information as to the expected periods of repayment of customer accounts, funds from parent bank and effective liquidity gaps as at 30 September 2013 and 31 December 2012 is as follows:

30 September 2013 (unaudited)	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>	<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
Accounts of individuals analyzed based on expected withdrawal dates	1,515,232	3,533,674	1,179,261	1,755,475	8,319	12,875	-	1,139,631	9,144,467
Corporate accounts analyzed based on expected withdrawal dates	4,248,322	980,086	1,083,504	752,424	-	278,503	-	1,741,379	9,084,218
Funds attracted from other banks analyzed	12,194	553,574	812,680	1,546,788	7,353	153,371	-	9,768,770	12,854,730
Liquidity gap (based on expected withdrawal dates for customers accounts)	<u>2,797,939</u>	<u>3,093,454</u>	<u>749,777</u>	<u>4,001,620</u>	<u>383,142</u>	<u>3,163,730</u>	<u>280,479</u>	<u>(11,318,671)</u>	
	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>From 3 to 5 years</i>	<i>More than 5 years</i>	<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
31 December 2012									
Accounts of individuals analyzed based on expected withdrawal dates	1,221,219	2,540,636	2,405,407	1,664,872	27,479	13,883	-	660,830	8,534,326
Corporate accounts analyzed based on expected withdrawal dates	3,357,089	1,199,100	1,699,560	1,292,296	1	323,622	-	2,228,808	10,100,476
Funds attracted from other banks analyzed	681,610	719,417	504,137	813,026	20,410	231,364	-	7,839,601	10,809,565
Liquidity gap (based on expected withdrawal dates for customers accounts)	<u>545,211</u>	<u>2,480,341</u>	<u>2,710,836</u>	<u>3,023,845</u>	<u>909,033</u>	<u>2,645,994</u>	<u>192,161</u>	<u>(9,540,604)</u>	

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29. Risk management policies (continued)

Market Risk

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

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

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

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

Interest rate risk

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

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

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes" of interest rates. The level of these changes is determined by Management. The sensitivity analysis represents the annual effect of 15% increase/reduction in interest rates in respect of floating rate financial instruments nominated in BYR, and the annual effect of 5% increase/reduction in interest rates in respect of floating rate financial instruments nominated in foreign currencies existing as at 30 September 2013 and 31 December 2012, respectively, on the net profit of the Group, provided all other variables were held constant. Additionally the calculation includes the effect of reinvestment of fixed-rate instruments at new market rates as they mature.

Impact on profit before taxes:

	As at 30 September 2013		As at 31 December 2012	
	Interest rate +15%	Interest rate -15%	Interest rate +15%	Interest rate -15%
BYR				
Impact on profit before taxes:				
Assets:				
Due from banks	16,938	(16,938)	16,749	(16,749)
Loans to customers	1,060,883	(1,060,883)	1,048,287	(1,048,287)
Investments available for sale	37,207	(37,207)	16,254	(16,254)
Investments held to maturity	51,798	(51,798)	15,493	(15,493)
Liabilities:				
Due to banks	(3,401)	3,401	(15,942)	15,942
Customer accounts	(863,447)	863,447	(839,716)	839,716
Debt securities issued	(40,433)	40,433	(59,004)	59,004
Net impact on profit before taxes	259,545	(259,545)	182,121	(182,121)
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	(1,389)	1,389	(23,553)	23,553
Net impact on comprehensive income	258,156	(258,156)	158,568	(158,568)

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29. Risk management policies (continued)

Interest rate risk (continued)

	As at 30 September 2013 (unaudited)		As at 31 December 2012	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
USD				
Impact on profit before taxes:				
Assets:				
Due from banks	1,958	(1,958)	4,065	(4,065)
Loans to customers	391,009	(391,009)	278,697	(278,697)
Investments available for sale	787	(787)	2,658	(2,658)
Investments held to maturity	76	(76)	203	(203)
Liabilities:				
Loans from the National Bank	(14,337)	14,337	(15,768)	15,768
Due to banks	(87,040)	87,040	(74,325)	74,325
Customer accounts	(174,566)	174,566	(163,892)	163,892
Debt securities issued	(2,633)	2,633	(5,170)	5,170
Net impact on profit before taxes	115,254	(115,254)	26,468	(26,468)
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	115,254	(115,254)	26,468	(26,468)

	As at 30 September 2013 (unaudited)		As at 31 December 2012	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
EUR				
Impact on profit before taxes:				
Assets:				
Loans to customers	290,164	(290,164)	225,430	(225,430)
Investments available for sale	2	(2)	2	(2)
Liabilities:				
Due to banks	(117,885)	117,885	(172,782)	172,782
Customer accounts	(135,286)	135,286	(100,490)	100,490
Debt securities issued	(2,963)	2,963	(6,440)	6,440
Net impact on profit before taxes	34,032	(34,032)	(54,280)	54,280
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	34,032	(34,032)	(54,280)	54,280

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29. Risk management policies (continued)

Interest rate risk (continued)

	As at 30 September 2013 (unaudited)		As at 31 December 2012	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
RUB				
Impact on profit before taxes:				
Assets:				
Loans to customers	41,291	(41,291)	50,845	(50,845)
Investments available for sale	-	-	-	-
Liabilities:				
Due to banks	(31,515)	31,515	(33,023)	33,023
Customer accounts	(35,725)	35,725	(43,008)	43,008
Debt securities issued	(4,142)	4,142	(27)	27
Net impact on profit before taxes	(30,091)	30,091	(25,213)	25,213
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale				
Net impact on comprehensive income	(30,091)	30,091	(25,213)	25,213

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:

30 September 2013 (unaudited)	BYR	USD 1USD=BYR 9,080	EUR 1EUR=BYR 12,250	RUB 1RUB=BYR 280,5	Precious metals	Other currencies	Total
Financial assets							
Cash and cash equivalents	3,351,854	666,316	594,303	204,674	10,725	9,371	4,837,243
Mandatory cash balances with the National Bank of the Republic of Belarus	204,670	-	-	-	-	-	204,670
Due from banks	112,923	41,831	41	-	-	-	154,795
Derivative financial assets	4,580,749	-	-	-	-	-	4,580,749
Loans to corporate customers	5,996,236	8,232,279	6,116,674	1,838,529	-	7,794	22,191,512
Loans to individuals	1,210,753	82,075	1,048	-	-	-	1,293,876
Investments available for sale	270,323	783,199	6,109	-	-	-	1,059,631
Investments held to maturity	380,826	156,741	-	-	-	-	537,567
Other financial assets	73,326	6,688	2,551	3,181	-	-	85,746
Total financial assets	16,181,660	9,969,129	6,720,726	2,046,384	10,725	17,165	34,945,789
Financial liabilities							
Loans from the National Bank	-	287,525	-	-	-	-	287,525
Due to banks	23,656	4,487,056	5,053,207	659,316	2,623,331	8,164	12,854,730
Derivative financial liabilities	52,948	-	-	-	-	-	52,948
Due to individuals	1,853,470	5,058,236	1,777,638	218,375	236,738	10	9,144,467
Due to corporate customers	4,202,957	992,980	2,892,963	896,071	97,127	2,120	9,084,218
Debt securities issued	271,998	386,839	300,014	171,711	-	-	1,130,562
Other financial liabilities	55,397	16,164	28,383	5,667	-	307	105,918
Subordinated debt	-	-	490,097	-	-	-	490,097
Total financial liabilities	6,460,426	11,228,800	10,542,302	1,951,140	2,957,196	10,601	33,150,465
Currency position	9,721,234	(1,259,671)	(3,821,576)	95,244	(2,946,471)	6,564	

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29. Risk management policies (continued)

Currency risk (continued)

Derivative financial instruments

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

30 September 2013 (unaudited)	BYR	USD 1USD=BYR 9,080	EUR 1EUR=BYR 12,250	RUB 1RUB=BYR 280,5	Precious metals	Other Curren- cies	Total
Claims on derivative financial instruments	1,043	1,930,220	4,259,196	58,546	2,973,356	-	9,222,361
Obligations on derivative financial instruments	(3,331,551)	(819,292)	(374,570)	(145,015)	(25,198)	-	(4,695,626)
Net derivative financial instruments	(3,330,508)	1,110,928	3,884,626	(86,469)	2,948,158	-	4,526,735
Total currency position less fair value of derivative	1,862,925	(148,743)	63,050	8,775	1,687	6,564	

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29. Risk management policies (continued)

Currency risk (continued)

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

31 December 2012	<i>BYR</i>	<i>USD</i> <i>1USD=BYR</i> <i>8,570</i>	<i>EUR</i> <i>1EUR=BYR</i> <i>11,340</i>	<i>RUB</i> <i>1RUB=BYR</i> <i>282</i>	<i>Precious metals</i>	<i>Other currencies</i>	<i>Total</i>
Financial assets							
Cash and cash equivalents	2,449,694	821,542	777,718	293,151	26,978	15,393	4,384,476
Mandatory cash balances with the National Bank of the Republic of Belarus	206,248	-	-	-	-	-	206,248
Due from banks	111,660	85,830	42	-	-	-	197,532
Derivative financial assets	6,166,238	-	-	-	-	-	6,166,238
Loans to corporate customers	6,268,506	6,416,482	5,013,288	2,226,966	-	-	19,925,242
Loans to individuals	957,025	111,349	1,285	-	-	-	1,069,659
Investments available for sale	505,457	303,725	6,299	-	-	-	815,481
Investments held to maturity	401,743	166,241	-	-	-	-	567,984
Other financial assets	148,744	1,424	1,495	2,918	-	-	154,581
Total financial assets	17,215,315	7,906,593	5,800,127	2,523,035	26,978	15,393	33,487,441
Financial liabilities							
Loans from the National Bank	-	321,954	-	-	-	-	321,954
Due to banks	111,020	1,704,445	4,532,443	694,217	3,767,383	57	10,809,565
Derivative financial Liabilities	50,248	-	-	-	-	-	50,248
Due to individuals	1,393,837	5,120,713	1,460,258	286,533	272,982	3	8,534,326
Due to corporate customers	4,392,751	1,594,096	2,667,792	1,319,079	113,201	13,557	10,100,476
Debt securities issued	397,856	314,525	349,010	197,820	-	-	1,259,211
Other financial liabilities	45,058	26,041	23,050	6,584	-	95	100,828
Subordinated debt	-	-	499,311	-	-	-	499,311
Total financial liabilities	6,390,770	9,081,774	9,531,864	2,504,233	4,153,566	13,712	31,675,919
Currency position	10,824,545	(1,175,181)	(3,731,737)	18,802	(4,126,588)	1,681	1,811,522

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29. Risk management policies (continued)

Currency risk (continued)

Derivative financial instruments

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

31 December 2012	<i>BYR</i>	<i>USD</i> 1USD=BYR 8,570	<i>EUR</i> 1EUR=BYR 11,340	<i>RUB</i> 1RUB=BYR 282	<i>Precious metals</i>	<i>Other curren- cies</i>	<i>Total</i>
Claims on derivative financial instruments	7	1,327,410	4,340,674	74,619	4,190,220	-	9,932,930
Obligations on derivative financial instruments	(3,455,245)	(28,562)	(514,595)	(73,359)	(57,809)	-	(4,129,570)
Net derivative financial instruments	(3,455,238)	1,298,848	3,826,079	1,260	4,132,411	-	5,803,360
Total currency position less fair value of derivative	1,253,317	123,667	94,342	20,062	5,823	1,681	

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. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the possible change in foreign currency exchange rates. As at 30 September 2013 and 31 December 2012 in connection with volatility in financial markets the Management of the Group analyzed sensitivity to 30% increase in foreign currencies' rates against BYR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for an anticipated value change in foreign currency rates.

	<i>As at 30 September 2013</i> <i>(unaudited)</i>		<i>As at 31 December 2012</i>	
	<i>BYR/USD</i>	<i>BYR/USD</i>	<i>BYR/USD</i>	<i>BYR/USD</i>
	+30%	-10%	+30%	-10%
Impact on profit or loss	(44,623)	14,874	37,101	(12,367)
Impact on comprehensive income	(44,623)	14,874	37,101	(12,367)
	<i>As at 30 September 2013</i> <i>(unaudited)</i>		<i>As at 31 December 2012</i>	
	<i>BYR/EUR</i>	<i>BYR/EUR</i>	<i>BYR/EUR</i>	<i>BYR/EUR</i>
	+30%	-10%	+30%	-10%
Impact on profit or loss	18,915	(6,305)	28,303	(9,434)
Impact on comprehensive income	18,915	(6,305)	28,303	(9,434)
	<i>As at 30 September 2013</i> <i>(unaudited)</i>		<i>As at 31 December 2012</i>	
	<i>BYR/RUB</i>	<i>BYR/RUB</i>	<i>BYR/ RUB+30%</i>	<i>BYR/RUB</i>
	+30%	-10%	+30%	-10%
Impact on profit or loss	2,633	(878)	6,019	(2,006)
Impact on comprehensive income	2,633	(878)	6,019	(2,006)

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29. Risk management policies (continued)

Limitations of sensitivity analysis

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

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs.

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

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

Operational risk

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