Translation from original in Russian

BPS-Sberbank

Consolidated Financial Statements

For the Year Ended 31 December 2011
With Independent Auditors' Report

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Independent auditors' report

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

We have audited the accompanying consolidated financial statements of JSC "BPS-Sberbank" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLC

25 April 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2011

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

	Notes	31 December 2011	31 December 2010
ASSETS:			
Cash and cash equivalents	4, 29	4,478,314	2,621,434
Mandatory cash balances with the National Bank of the Republic of Belarus		74,164	53,155
Due from banks	5, 29	135,734	512,767
Derivative financial assets	6	5,210,090	148,990
Loans to customers	7, 29	13,036,119	13,292,571
Non-current asset held for sale	8	16,461	20,235
Investments available for sale	9	579,848	738,586
Investments held to maturity	10	36,111	86,154
Investments in associates	11, 29	18,006	7,195
Premises and equipment	12	855,383	845,917
Intangible assets	12	40,416	30,814
Current income tax assets		14,199	1,189
Other assets	13	171,587	121,825
Total assets		**24,666,432**	**18,480,832**
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans from the National Bank of the Republic of Belarus	14	302,252	244,340
Due to banks	15, 29	8,604,826	4,915,483
Derivative financial liabilities	6	-	80,860
Due to individuals	16, 29	5,458,709	4,408,782
Due to corporate customers	16, 29	6,315,830	5,296,942
Debt securities issued	17	1,168,205	1,067,837
Current income tax liabilities		78,037	19,901
Deferred income tax liabilities	27	120,915	89,453
Provisions for guarantees and other commitments	21	5,251	24,220
Other liabilities	18	118,032	84,960
Subordinated debt	29	432,172	-
Total liabilities		**22,604,229**	**16,232,778**
EQUITY:			
Share capital	19	1,781,677	1,781,677
Revaluation reserve for premises		300,366	329,659
Investments available for sale fair value (deficit)/reserve		(67,417)	2,615
Retained earnings		47,409	133,924
Total equity attributable to shareholders of the Bank		**2,062,035**	**2,247,875**
Non-controlling interest		168	179
Total equity		**2,062,203**	**2,248,054**
Total liabilities and equity		**24,666,432**	**18,480,832**

Signed and authorized for release on behalf of the Management Board

Chairman of the Board
Vasili S. Matyushevski
30 March 2012
Minsk

Chief Accountant
Anatoly V. Boreiko
30 March 2012
Minsk

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Interest income	20, 29	2,608,857	1,504,991
Interest expense	20, 29	(1,353,626)	(893,132)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		**1,255,231**	**611,859**
Provision for impairment losses on interest bearing assets	21, 29	(546,280)	(153,003)
NET INTEREST INCOME		**708,951**	**458,856**
Fee and commission income	22, 29	643,754	557,441
Fee and commission expense	22, 29	(191,866)	(126,444)
Net (losses)/gains arising from investment securities available for sale		(2,185)	348
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	23	374,829	105,762
Net gains arising from operations with precious metals, precious metals derivatives and precious metals translations gains	23	61,933	34,854
Negative revaluation of office premises	12	(8,878)	(28,275)
Net gains from disposal of subsidiary	24	22,838	-
Other provisions	21	(12,326)	(8,376)
Impairment of non-current asset held for sale	8	(13,489)	-
Other income	25	35,096	35,038
NET NON-INTEREST INCOME		**909,706**	**570,348**
OPERATING INCOME		1,618,657	1,029,204
OPERATING EXPENSES	26	(795,664)	(698,489)
Share of results of an associate	11	14,282	(1,246)
PROFIT BEFORE LOSS ON NET MONETARY POSITION		**837,275**	**329,469**
Loss on net monetary position due to inflation effect		(684,879)	(99,358)
PROFIT BEFORE INCOME TAXES		**152,396**	**230,111**
Income tax expense	27	(241,425)	(112,838)
NET (LOSS)/PROFIT		**(89,029)**	**117,273**
Attributable to:			
Shareholders of the parent Bank		(89,018)	117,192
Minority interest		(11)	81
		(89,029)	**117,273**

Signed and authorized for release on behalf of the Management Board

Chairman of the Board
Vasili S. Matyushevski
30 March 2012
Minsk

Chief Accountant
Anatoly V. Boreiko
30 March 2012
Minsk

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

	Year ended 31 December 2011	**Year ended 31 December 2010**
NET (LOSS)/PROFIT	**(89,029)**	**117,273**
OTHER COMPREHENSIVE INCOME		
Net change in fair value remeasurement of office premises	(7,617)	420,545
Net change in income tax relating to office premises remeasurement	(12,571)	(85,269)
Net change in fair value of investments available for sale	(72,217)	2,963
Reclassification adjustments for gains/(losses) included in profit or loss from comprehensive income on disposal of investments available for sale	2,185	(348)
OTHER COMPREHENSIVE (LOSS)/INCOME	**(90,220)**	**337,891**
TOTAL COMPREHENSIVE (LOSS)/INCOME	**(179,249)**	**455,164**
Attributable to:		
Shareholders of the parent	(179,238)	455,083
Minority interest	(11)	81
TOTAL COMPREHENSIVE (LOSS)/INCOME	**(179,249)**	**455,164**

CONSOLIDATED STATEMENT OF CHANCES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

	Notes	Share capital	Revaluation reserve for office premises	Investments available for sale fair value reserve	Retained earnings	Total equity attributable to shareholders of the parent	Minority interest	Total equity
31 December 2009		**1,578,899**	**-**	**-**	**39,395**	**1,618,294**	**98**	**1,618,392**
Total comprehensive income for the year		-	335,276	2,615	117,192	455,083	81	455,164
Share capital increase of ordinary shares	19	202,778	-	-	-	202,778	-	202,778
Amortisation of revaluation reserve for premises, net of tax		-	(5,617)	-	5,617	-	-	-
Dividends paid	19				(28,280)	(28,280)	-	(28,280)
31 December 2010		**1,781,677**	**329,659**	**2,615**	**133,924**	**2,247,875**	**179**	**2,248,054**
Total comprehensive income for the year		-	(20,188)	(70,032)	(89,018)	(179,238)	(11)	(179,249)
Amortisation of revaluation reserve for premises, net of tax		-	(6,182)	-	6,182	-	-	-
Disposal of premises		-	(2,923)	-	2,923	-	-	-
Dividends paid	19	-	-	-	(6,602)	(6,602)	-	(6,602)
31 December 2011		**1,781,677**	**300,366**	**(67,417)**	**47,409**	**2,062,035**	**168**	**2,062,203**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest income		2,395,398	1,429,771
Interest expense		(1,245,517)	(876,032)
Fee and commission income		643,754	557,441
Fee and commission expense		(191,866)	(126,444)
Net gain on foreign exchange operations		171,511	149,475
Net gain on derivative financial instruments		157,125	(45,498)
Net gain on disposal of investments available for sale		(2,185)	348
Net gain on precious metals		23,886	1,508
Other income		19,063	34,625
Operating expenses		(722,407)	(625,419)
Income taxes paid		(108,560)	(4,674)
Cash flows from operating activities before changes in operating assets and liabilities		**1,140,202**	**495,101**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of the Republic of Belarus		(48,691)	86,323
Due from banks		226,050	53,941
Loans to customers		(2,584,826)	(5,516,788)
Other assets		7,768	(42,147)
Increase/(decrease) in operating liabilities:			
Loans from the National Bank of the Republic of Belarus		(15,894)	(574,108)
Due to banks		510,683	3,482,176
Due to individuals		960,137	1,055,386
Due to corporate customers		2,257,498	1,720,895
Debt securities issued		321,793	623,078
Other liabilities		(85,760)	3,862
Net cash inflow from operating activities		**2,688,960**	**1,387,719**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011 (CONTINUED)
(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of premises, equipment and intangible assets		(122,017)	(96,141)
Proceeds on sale of premises and equipment		31,050	6,300
Purchase of investments available for sale		(95,838)	(787,243)
Proceeds on repayment of investments available for sale		57,287	51,612
Purchase of investments held to maturity		(6,990)	(49,432)
Proceeds on repayment of investments held to maturity		15,007	2,736
Proceeds on disposal of subsidiary		3,018	-
Dividends received	11	276	94
Net cash outflow from investing activities		**(118,207)**	**(872,074)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		-	202,778
Subordinated debt received		432,172	-
Dividends paid		(6,087)	(27,515)
Net cash inflow from financing activities		**426,085**	**175,263**
Effect of changes in foreign exchange rates on cash and cash equivalents		455,749	150
Inflation effect on monetary assets and liabilities		(1,595,707)	407,607
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,996,838**	**690,908**
CASH AND CASH EQUIVALENTS, beginning of year	4	**2,621,434**	**1,522,769**
CASH AND CASH EQUIVALENTS, end of year	4	**4,478,314**	**2,621,434**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

1. ORGANISATION

Open Joint-Stock Company “BPS-Sberbank” (previous name – “BPS-Bank”), or BPS-Sberbank (the “Bank”), was established from the Belarusian branch of Promstroibank USSR and registered with the National Bank of the Republic of Belarus (the “National Bank”) as a closed joint-stock company on 28 December 1991. On 17 February 1993 the Bank was reorganized into an open joint stock company and accordingly registered by the National Bank. The Bank conducts its business under Common License for performing banking operations # 4 issued on 8 June 2011. The Bank accepts deposits from the public, issues loans and transfers payments in the Republic of Belarus and abroad, exchanges currencies and provides other banking services to its commercial and retail customers, including cash collection and operations with precious metals.

The registered office of the Bank is located at 6 Mulyavin Boulevard, 220005, Minsk, Republic of Belarus. As at 31 December 2011 the Bank had 6 regional establishments and 35 outlets, as well as representative office in the Republic of Poland, Warsaw.

The average number of employees of the Bank during 2011 and 2010 was 4,380 and 4,533 persons, respectively.

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

		Proportion of ownership interest/ voting rights, %		
Name	**Country of operation**	**2011**	**2010**	**Type of operation**
Closed Joint Stock Company “BPS-Leasing”	Republic of Belarus	50.0	99.9	Finance lease activities
Limited Liability Company “Narochanskaya Niva 2004”	Republic of Belarus	98.7	98.7	Agriculture
Private Unitary Enterprise “Kiparis-2”	Republic of Belarus	-	100.0	Health services
Closed Joint Stock Insurance Company “TASK”	Republic of Belarus	25.6	25.6	Insurance services
Closed Joint Stock Company “SB-Global”	Republic of Belarus	99.9	-	Advisory activity

On the 23 March 2011 PUE “Kiparis-2” was liquidated.

At 31 December 2011 and 2010 the following shareholders owned the issued shares of the Bank:

Shareholder	**31 December 2011, %**	**31 december 2010, %**
Sberbank	97.91	97.91
Other	2.09	2.09
Total	**100.00**	**100.00**

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

These consolidated financial statements were authorized for issue by the Management Board on 30 March 2012.

2. BASIS OF PRESENTATION

Accounting basis

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

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

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

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

Accounting for the effects of hyperinflation

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

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

Year	Index, %	Conversion factors
2006	106.6	320.8
2007	112.1	286.2
2008	113.3	252.6
2009	110.1	229.4
2010	109.9	208.7
2011	208.7	100.0

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 31 December 2011. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 31 December 2011) are restated by applying the relevant index. The effect of inflation on the Group’s net monetary position is included in the consolidated income statement as loss on net monetary position.

The application of IAS 29 results in an adjustment for the loss of purchasing power of the Belarusian Rouble recorded in profit or loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss/gain is derived as the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the consolidated statement of comprehensive income. Corresponding figures for the year ended 31 December 2010 have also been restated so that they are presented in terms of the purchasing power of the Belarusian Rouble as of 31 December 2011. Income and expense items of the consolidated income statement for the year 2010 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 consolidated financial statements is the currency of the Republic of Belarus – Belarusian Rouble, the currency of the primary economic environment in which the Group operates.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

Investments in an associate

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

Where a Group company transacts with the associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the associate.

Recognition and measurement of financial instruments

Initial recognition

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

Date of recognition

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

'Day 1' profit

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition and measurement of financial instruments (continued)

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Determination of fair value

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

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

Offsetting

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

Reclassification of financial assets

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

Impairment of financial assets

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

Amounts due from credit institutions and loans to customers

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

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

Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

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

Available-for-sale financial investments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

Renegotiated loans

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

The accounting treatment of such restructuring is as follows:

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

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

Cash and cash equivalents

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

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

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

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

Precious metals

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

Due from banks

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

Derivative financial instruments

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

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

Securities repurchase and reverse repurchase agreements

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

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

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

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

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

Finance leases

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

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

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

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating leases

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

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

Premises, equipment and intangible assets

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

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

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

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

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

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

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

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

	31 December 2011	31 December 2010
Premises	1%	1%
Vehicles	12.5%	12.5%
Computer equipment	10%-20%	10%-20%
Furniture and other assets	10%-20%	10%-20%
Intangible assets	15%-33%	15%-33%

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets classified as held for sale

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

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

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

Taxation

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Provisions

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

Financial guarantee contracts issued and letters of credit

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

Contingencies

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

Share capital

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

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

Retirement and other benefit obligations

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

Recognition of income and expenses

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

Interest and similar income and expense

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recognition of income and expenses (continued)

revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

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

Fee and commission income

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

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

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

- *Fee income from providing transaction services*

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

Dividend income

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

Foreign currency translation

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

Rates of exchange

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

	31 December 2011	**31 December 2010**
BYR/USD	8,350.00	3,000.00
BYR/EUR	10,800.00	3,972.60
BYR/RUB	261.00	98.44

Segment reporting

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

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

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

Areas of significant Management judgment and sources of estimation uncertainty

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

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

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

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

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

Available-for-sale financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Deferred income tax assets

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

Derivative financial instruments

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

Provisions for financial guarantees and other contingent liabilities

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

Revaluation of premises

The Group regularly reviews the value of its premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of premises does not materially differ from its fair value. Premises have been revalued to market value at 1 January 2012. Revalued premises are depreciated in accordance with their remaining useful life since 1 January 2010. The Group performs revaluation using appropriate valuation techniques and information about real estate transactions on the local market.

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

Changes in accounting policies

The Group has adopted the following amended IFRS and new IFRIC Interpretations during the year. The principal effects of these changes are as follows:

IAS 24 “Related party disclosures” (Revised)
The revised IAS 24, issued in November 2009 and effective for annual periods beginning on or after 1 January 2011, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant.

Amendments to IAS 32 “Financial instruments: Presentation”: Classification of Rights Issues”
In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity’s non-derivative equity instruments, in order to acquire a fixed number of the entity’s own equity instruments for a fixed amount in any currency. The amendment had no impact on the Group's consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies (continued)

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. This Interpretation had no impact on the Group's consolidated financial statements.

Improvements to IFRSs

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" had impact on the accounting policies, financial position or performance of the Group, as described below.

- *IFRS 3 Business combinations:* limits the scope of the measurement choices that only the components of NCI that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.
- *IFRS 7 Financial instruments:* Disclosures; introduces the amendments to quantitative and credit risk disclosures. The additional requirements had minor impact as information is readily available.
- Other amendments to IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 34 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Group.

The following amendments to standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- *IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
- *IFRIC 14 Prepayments of a Minimum Funding Requirement*

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IFRS 9 "Financial Instruments"
In November 2009 and 2010 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2013. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial instruments. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. For financial liabilities designated at fair value through profit or loss using fair value option IFRS 9 requires the amount of change in fair value attributable to changes in credit risk to be presented in other comprehensive income. The Group now evaluates the impact of the adoption of new Standard and considers the initial application date.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future changes in accounting policies (continued)

IFRS 12 Disclosure of Interests in Other Entities
IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of the standard will require new disclosures to be made in the financial statements of the Group but will have no impact on its financial position or performance.

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

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

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

Amendments to IFRS 7 "Financial Instruments: Disclosures"
The Amendments were issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Group's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.The amendment affects disclosure only and has no impact on the Group's financial position or performance.

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

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 proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. The Group expects that these amendments will have no impact on the Group's financial position.

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income
The amendments to IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 July 2012, 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, upon derecognition or settlement) would be presented separately from items that will never be reclassified. These amendments will change presentation but will have no effect on its financial position and performance.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Future changes in accounting policies (continued)

Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
These amendments to IFRS 1, effective for annual periods beginning on or after 1 July 2011, introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. The Group expects that these amendments will have no impact on the Group's financial position.

4. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Cash	937,503	996,522
Current accounts with the National Bank	2,213,257	1,133,996
Correspondent accounts and placements with other banks with original maturities up to 30 days:		
- Belarus	476,184	2,409
- Other countries	715,987	466,587
Settlements with the Belarusian Currency and Stock Exchange	1	21,920
Reverse-repo agreements with original maturities up to 30 days	135,382	-
Total cash and cash equivalents	**4,478,314**	**2,621,434**

Correspondent accounts and placements with other banks and reverse-repo agreements with original maturities up to 30 days mostly represent balances with the largest and well-known foreign banks, top rated Belarus banks and financial companies. Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2011 made on the basis of ratings of international rating agencies is as follows:

	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Belarus	-	475,946	238	476,184
- Other countries	703,976	1,556	10,455	715,987
Reverse-repo agreements with original maturities up to 30 days	-	135,382	-	135,382
Total	**703,976**	**612,884**	**10,693**	**1,327,553**

Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2010 made on the basis of ratings of international rating agencies is as follows:

	Investment rating	Speculative rating	Not rated	Total
Correspondent accounts and placements with other banks with original maturities up to 30 days:				
- Belarus	-	2,355	54	2,409
- Other countries	464,263	2,324	-	466,587
Total	**464,263**	**4,679**	**54**	**468,996**

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

As at 31 December 2011 and 2010 all cash and cash equivalents are neither past due nor impaired.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

5. DUE FROM BANKS

Due from banks comprise:

	31 December 2011	31 December 2010
Time deposits and loans to banks:		
- Belarus	135,734	512,767
Total due from banks	**135,734**	**512,767**

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

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

	Speculative rating	Not rated	Total
Time deposits and loans to banks:			
- Belarus	110,516	25,218	135,734
Total	**110,516**	**25,218**	**135,734**

Analysis by credit quality of the balances with counterparty banks and financial companies at 31 December 2010 made on the basis of ratings of international rating agencies is as follows:

	Speculative rating	Not rated	Total
Time deposits and loans to banks:			
- Belarus	349,009	163,758	512,767
Total	**349,009**	**163,758**	**512,767**

At 31 December 2010 the Group had amounts due from one bank totalling BYR 277,494 million, respectively, which exceeded 10% of the Group’s equity. As at 31 December 2011 the Group had no amounts above 10% of the Group’s entity concentrated in one bank.

At 31 December 2011 and 2010 included in due from banks were fixed amounts of BYR 917 million and BYR 1,709 million, respectively, placed as guarantee deposits on letters of credit, operations with plastic cards and travel checks, and settlements with international payment systems.

At 31 December 2011 and 2010 included in due from banks are long-term loans issued to JSC “Belarusbank” and JSC “Belagroprombank” under the Government’s program on financing for acquisition of agricultural equipment for the total amount of BYR 83,282 million and BYR 279,580 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 Belarussian Rouble as at 31 December 2011)

6. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2011 and 2010 derivative financial instruments comprise:

Derivative type	Nominal amount (in units of currency/ grams of gold to be purchased)	Fair Value at 31 December 2011	
		Asset	Liability
EUR/BYR foreign currency swap	EUR 340,709,341	2,352,489	-
XAU/BYR precious metals swap	XAU 7,515,014	2,226,625	-
USD/BYR foreign currency swap	USD 122,862,517	630,976	-
Total derivative financial instruments		**5,210,090**	**-**

Derivative type	Nominal amount (in units of currency/ grams of gold to be purchased)	Fair Value at 31 December 2010	
		Asset	Liability
XAU/BYR precious metals swap	XAU 5,000,000	99,178	-
EUR/BYR foreign currency swap	EUR 290,709,341	37,137	69,687
USD/BYR foreign currency swap	USD 132,199,393	11,978	11,060
BYR/USD foreign currency swap	BYR 12,248,340,000	507	-
RUR/EUR foreign currency swap	RUR 282,985,500	190	-
USD/RUR foreign currency swap	USD 3,500,000	-	61
EUR/USD foreign currency swap	EUR 700,000	-	52
Total derivative financial instruments		**148,990**	**80,860**

At 31 December 2011 and 2010 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 Belarussian Rouble as at 31 December 2011)

7. LOANS TO CUSTOMERS

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 December 2011 and 2010.

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

31 December 2011	**Not past due loans**	**Past due loans**	**Total**
Commercial loans to legal entities	6,789,914	225,596	7,015,510
Specialized loans to legal entities	5,012,505	522,018	5,534,523
Consumer and other loans to individuals	584,099	10,404	594,503
Mortgage loans to individuals	449,273	10,858	460,131
Car loans to individuals	19,566	890	20,456
Total loans to customers before allowance for loan impairment	**12,855,357**	**769,766**	**13,625,123**
Less: Allowance for loan impairment	(470,513)	(118,491)	(589,004)
Total loans to customers net of allowance for loan impairment	**12,384,844**	**651,275**	**13,036,119**

31 December 2010	**Not past due loans**	**Past due loans**	**Total**
Commercial loans to legal entities	6,275,654	120,111	6,395,765
Specialized loans to legal entities	5,539,550	63,423	5,602,973
Consumer and other loans to individuals	914,452	18,002	932,454
Mortgage loans to individuals	782,576	9,805	792,381
Car loans to individuals	52,960	1,765	54,725
Total loans to customers before allowance for loan impairment	**13,565,192**	**213,106**	**13,778,298**
Less: Allowance for loan impairment	(437,239)	(48,488)	(485,727)
Total loans to customers net of allowance for loan impairment	**13,127,953**	**164,618**	**13,292,571**

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 Belarussian Rouble as at 31 December 2011)

7. LOANS TO CUSTOMERS (CONTUNUED)

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

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	5,433,347	(116,332)	5,317,015	2.1%
Loans up to 30 days overdue	13,397	(23)	13,374	0.2%
Loans 31 to 60 days overdue	9,792	(60)	9,732	0.6%
Loans 61 to 90 days overdue	4,087	(44)	4,043	1.1%
Loans 91 up to 180 days overdue	27,246	(361)	26,885	1.3%
Loans over 180 days overdue	4,819	(1,001)	3,818	20.8%
Total collectively assessed loans	**5,492,688**	**(117,821)**	**5,374,867**	**2.1%**
Individually impaired				
Not past due	1,356,567	(79,225)	1,277,342	5.8%
Loans up to 30 days overdue	19,471	(5,394)	14,077	27.7%
Loans 31 to 60 days overdue	-	-	-	0.0%
Loans 61 to 90 days overdue	-	-	-	0.0%
Loans 91 up to 180 days overdue	-	-	-	0.0%
Loans over 180 days overdue	146,784	(28,579)	118,205	19.5%
Total individually impaired loans	**1,522,822**	**(113,198)**	**1,409,624**	**7.4%**
Total commercial loans to legal entities	**7,015,510**	**(231,019)**	**6,784,491**	**3.3%**
Specialized loans to legal entities				
Collectively assessed				
Not past due	3,532,490	(82,142)	3,450,348	2.3%
Loans up to 30 days overdue	2,206	(2)	2,204	0.1%
Loans 31 to 60 days overdue	10,654	(12)	10,642	0.1%
Loans 61 to 90 days overdue	3,188	(3)	3,185	0.1%
Loans 91 up to 180 days overdue	7,995	(364)	7,631	4.6%
Loans over 180 days overdue	7,485	(856)	6,629	11.4%
Total collectively assessed loans	**3,564,018**	**(83,379)**	**3,480,639**	**2.3%**
Individually impaired				
Not past due	1,480,015	(155,222)	1,324,793	10.5%
Loans up to 30 days overdue	363,869	(51,861)	312,008	14.3%
Loans 31 to 60 days overdue	119,477	(18,801)	100,676	15.7%
Loans 61 to 90 days overdue	-	-	-	0.0%
Loans 91 up to 180 days overdue	-	-	-	0.0%
Loans over 180 days overdue	7,144	(7,100)	44	99.4%
Total individually impaired loans	**1,970,505**	**(232,984)**	**1,737,521**	**11.8%**
Total specialized loans to legal entities	**5,534,523**	**(316,363)**	**5,218,160**	**5.7%**
Total loans to legal entities	**12,550,033**	**(547,382)**	**12,002,651**	**4.4%**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

7. LOANS TO CUSTOMERS (CONTINUED)

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	584,099	(18,049)	566,050	3.1%
Loans up to 30 days overdue	3,545	(182)	3,363	5.1%
Loans 31 to 60 days overdue	2,078	(193)	1,885	9.3%
Loans 61 to 90 days overdue	1,615	(177)	1,438	11.0%
Loans 91 up to 180 days overdue	2,245	(623)	1,622	27.8%
Loans over 180 days overdue	921	(921)	-	100.0%
Total consumer and other loans to individuals	**594,503**	**(20,145)**	**574,358**	**3.4%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	449,273	(18,880)	430,393	4.2%
Loans up to 30 days overdue	3,988	(204)	3,784	5.1%
Loans 31 to 60 days overdue	2,696	(161)	2,535	6.0%
Loans 61 to 90 days overdue	1,246	(96)	1,150	7.7%
Loans 91 up to 180 days overdue	1,929	(273)	1,656	14.2%
Loans over 180 days overdue	999	(999)	-	100.0%
Total mortgage loans to individuals	**460,131**	**(20,613)**	**439,518**	**4.5%**
Car loans to individuals				
Collectively assessed				
Not past due	19,566	(663)	18,903	3.4%
Loans up to 30 days overdue	443	(25)	418	5.6%
Loans 31 to 60 days overdue	40	(7)	33	17.5%
Loans 61 to 90 days overdue	124	(10)	114	8.1%
Loans 91 up to 180 days overdue	189	(65)	124	34.4%
Loans over 180 days overdue	94	(94)	-	100.0%
Total car loans to individuals	**20,456**	**(864)**	**19,592**	**4.2%**
Total loans to individuals	**1,075,090**	**(41,622)**	**1,033,468**	**3.9%**
Total loans and advances to customers as at 31 December 2011	**13,625,123**	**(589,004)**	**13,036,119**	**4.3%**

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7. LOANS TO CUSTOMERS (CONTINUED)

The table below shows the analysis of loans and provisions for loan impairment as at 31 December 2010:

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities				
Collectively assessed				
Not past due	5,845,692	(135,809)	5,709,883	2.3%
Loans up to 30 days overdue	27,106	(1,048)	26,058	3.9%
Loans 31 to 60 days overdue	591	(23)	568	3.9%
Loans 61 to 90 days overdue	61	(2)	59	3.4%
Loans 91 up to 180 days overdue	7,792	(334)	7,458	4.3%
Loans over 180 days overdue	5,079	(1,294)	3,785	25.5%
Total collectively assessed loans	**5,886,321**	**(138,510)**	**5,747,811**	**2.4%**
Individually impaired				
Not past due	429,962	(40,106)	389,856	9.3%
Loans up to 30 days overdue	31,409	(4,440)	26,969	14.1%
Loans 31 to 60 days overdue	275	(54)	221	19.7%
Loans 61 to 90 days overdue	117	(117)	-	100.0%
Loans 91 up to 180 days overdue	47,681	(10,797)	36,884	22.6%
Loans over 180 days overdue	-	-	-	-
Total individually impaired loans	**509,444**	**(55,514)**	**453,930**	**10.9%**
Total commercial loans to legal entities	**6,395,765**	**(194,024)**	**6,201,741**	**3.0%**
Specialized loans to legal entities				
Collectively assessed				
Not past due	4,723,400	(146,710)	4,576,690	3.1%
Loans up to 30 days overdue	14,327	(3,257)	11,070	22.7%
Loans 31 to 60 days overdue	1,747	(447)	1,300	25.6%
Loans 61 to 90 days overdue	-	-	-	-
Loans 91 up to 180 days overdue	2,562	(634)	1,928	24.8%
Loans over 180 days overdue	38,662	(9,528)	29,134	24.6%
Total collectively assessed loans	**4,780,698**	**(160,576)**	**4,620,122**	**3.4%**
Individually impaired				
Not past due	816,150	(61,270)	754,880	7.5%
Loans up to 30 days overdue	-	-	-	-
Loans 31 to 60 days overdue	90	(19)	71	20.9%
Loans 61 to 90 days overdue	92	(92)	-	100.0%
Loans 91 up to 180 days overdue	5,943	(5,899)	44	99.3%
Loans over 180 days overdue	-	-	-	-
Total individually impaired loans	**822,275**	**(67,280)**	**754,995**	**8.2%**
Total specialized loans to legal entities	**5,602,973**	**(227,856)**	**5,375,117**	**4.1%**
Total loans to legal entities	**11,998,738**	**(421,880)**	**11,576,858**	**3.5%**

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7. LOANS TO CUSTOMERS (CONTINUED)

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Consumer and other loans to individuals				
Collectively assessed				
Not past due	914,452	(22,634)	891,818	2.5%
Loans up to 30 days overdue	6,398	(252)	6,146	3.9%
Loans 31 to 60 days overdue	2,709	(202)	2,507	7.5%
Loans 61 to 90 days overdue	1,536	(165)	1,371	10.7%
Loans 91 up to 180 days overdue	2,370	(555)	1,815	23.4%
Loans over 180 days overdue	4,989	(4,989)	-	100.0%
Total consumer and other loans to individuals	**932,454**	**(28,797)**	**903,657**	**3.1%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	782,575	(28,984)	753,591	3.7%
Loans up to 30 days overdue	2,930	(127)	2,803	4.3%
Loans 31 to 60 days overdue	1,778	(92)	1,686	5.2%
Loans 61 to 90 days overdue	495	(38)	457	7.6%
Loans 91 up to 180 days overdue	1,141	(167)	974	14.6%
Loans over 180 days overdue	3,462	(3,462)	-	100.0%
Total mortgage loans to individuals	**792,381**	**(32,870)**	**759,511**	**4.1%**
Car loans to individuals				
Collectively assessed				
Not past due	52,960	(1,726)	51,234	3.3%
Loans up to 30 days overdue	737	(33)	704	4.5%
Loans 31 to 60 days overdue	238	(23)	215	9.6%
Loans 61 to 90 days overdue	346	(27)	319	7.8%
Loans 91 up to 180 days overdue	106	(33)	73	31.4%
Loans over 180 days overdue	338	(338)	-	100.0%
Total car loans to individuals	**54,725**	**(2,180)**	**52,545**	**4.0%**
Total loans to individuals	**1,779,560**	**(63,847)**	**1,715,713**	**3.6%**
Total loans and advances to customers as at 31 December 2010	**13,778,298**	**(485,727)**	**13,292,571**	**3.5%**

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.

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7. LOANS TO CUSTOMERS (CONTINUED)

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

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities	178,849	(29,941)	148,908	16.7%
Specialised loans to legal entities	22,624	(8,320)	14,304	36.8%
Consumer and other loans to individuals	3,166	(1,544)	1,622	48.8%
Mortgage loans to individuals	2,928	(1,272)	1,656	43.4%
Car loans to individuals	283	(159)	124	56.2%
Total non-performing loans to customers as at 31 December 2011	**207,850**	**(41,236)**	**166,614**	**19.84%**

As at 31 December 2010 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	60,552	(12,424)	48,128	20.5%
Specialised loans to legal entities	47,168	(16,061)	31,107	34.1%
Consumer and other loans to individuals	7,360	(5,544)	1,816	75.3%
Mortgage loans to individuals	4,603	(3,629)	974	78.8%
Car loans to individuals	444	(371)	73	83.6%
Total non-performing loans to customers as at 31 December 2010	**120,127**	**(38,029)**	**82,098**	**31.7%**

Movements in allowances for impairment losses for the years ended 31 December 2011 and 2010 are disclosed in Note 21.

Information on loans which terms have been renegotiated, as at 31 December 2011 and 2010 is presented in the tables below. It shows the carrying amount for renegotiated loans by class.

	Commercial loans to legal entities	Specialised loans to legal entities	Total
Not past due collectively assessed loans	2,400	3,777	6,177
Other renegotiated loans	-	490	490
Total renegotiated loans before allowance for loan impairment as at 31 December 2011	**2,400**	**4,267**	**6,667**

	Commercial loans to legal entities	Specialised loans to legal entities	Total
Not past due collectively assessed loans	6	9,050	9,056
Other renegotiated loans	-	7,512	7,512
Total renegotiated loans before allowance for loan impairment as at 31 December 2010	**6**	**16,562**	**16,568**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

7. LOANS TO CUSTOMERS (CONTINUED)

Included in commercial loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 31 December 2011 and 2010 is as follows:

	31 December 2011	31 December 2010
Gross investment in finance lease	199,834	552,216
Unearned future finance income on finance lease	(59,854)	(121,863)
Net investment in finance lease before provision for impairment	**139,980**	**430,353**
Less provision for impairment	(15,408)	(64,942)
Net investment in finance lease after provision for impairment	**124,572**	**365,411**

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

	Net investment in finance lease before allowance for impairment	Allowance for loan impairment	Net investment in finance lease after allowance for impairment
Not later than 1 year	61,018	(6,716)	54,302
Later than 1 year but not later than 5 years	75,757	(8,339)	67,418
Later than 5 years	3,205	(353)	2,852
Total as at 31 December 2011	**139,980**	**(15,408)**	**124,572**

The contractual maturity analysis of net investments in finance lease as at 31 December 2010 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	119,653	(12,960)	106,693
Later than 1 year but not later than 5 years	310,690	(51,980)	258,710
Later than 5 years	10	(2)	8
Total as at 31 December 2010	**430,353**	**(64,942)**	**365,411**

The analysis of minimal finance lease receivables as at 31 December 2011 and 2010 per contractual maturity is as follows:

	31 December 2011	31 December 2010
Not later than 1 year	87,295	159,643
Later than 1 year but not later than 5 years	106,163	392,563
Later than 5 years	6,376	10
Total	**199,834**	**552,216**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

7. LOANS TO CUSTOMERS (CONTINUED)

Economic sector risk concentrations within the customer loan portfolio as at 31 December 2011 and 2010 are as follows:

	31 December 2011		31 December 2010	
	Amount	**%**	**Amount**	**%**
Machinery and equipment	2,786,522	20.4	2,554,170	18.5
Chemical and oil refinery industry	1,716,034	12.6	896,910	6.5
Construction	1,138,202	8.3	1,356,635	9.8
Individuals	1,075,090	7.9	1,779,561	12.9
Energy and fuel	953,920	7.0	1,144,801	8.3
Trade and catering	927,038	6.8	1,296,571	9.4
Timber and woodworking industry	888,674	6.5	565,377	4.1
Building materials	795,340	5.8	1,005,047	7.3
Transport and communication	760,455	5.6	1,146,846	8.3
Financial services	626,056	4.7	412,453	3.0
Mining	573,098	4.2	344,906	2.5
Metallurgy	385,808	2.8	349,881	2.5
Food	353,117	2.6	303,187	2.2
Light industry	339,929	2.5	158,310	1.1
Agriculture	222,545	1.6	133,179	1.0
Other	83,295	0.6	330,464	2.4
Total loans to customers before allowance for loan impairment	**13,625,123**	**100.0**	**13,778,298**	**100.0**

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

	31 December 2011	31 December 2010
Loans collateralized by lien over receivables	3,194,567	2,963,302
Loans collateralized by equipment and rights thereon	2,604,502	2,780,110
Loans collateralized by guarantees of the Government and local authorities	1,929,871	1,447,982
Loans collateralized by real estate or rights thereon	1,799,912	1,553,965
Loans collateralized by inventories	1,653,330	1,856,685
Loans collateralized by guarantees of enterprises	975,650	856,231
Loans collateralized by guarantees of individuals	930,492	1,954,318
Loans collateralized by other types of collateral	280,155	335,483
Loans collateralized by cash or guarantee deposits	256,644	30,222
	13,625,123	**13,778,298**
Less allowance for loan impairment	(589,004)	(485,727)
Total loans to customers	**13,036,119**	**13,292,571**

As at 31 December 2011 the aggregated loan amount of 20 largest borrowers was BYR 5,841,487 million or 42.8% of the total gross loan portfolio of the Group (31 December 2010: BYR 4,937,222 million or 35.8%).

Interest income accrued on loans, for which individual impairment has been recognised, year ended 31 December 2011, comprised BYR 135,189 million (year ended 31 December 2010: BYR 127,203 million).

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

At 31 December 2011 loans to customers included specialized loans in USD in the amount of BYR 301,945 million provided to two borrowers (31 December 2010: BYR 248,854 million in USD provided to two borrowers) at 0.2% - 1.5% interest margin. The Group attracted long-term loans from the National Bank of the Republic of Belarus to provide these loans (Note 14).

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

8. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale comprise:

	Premises previously used by the Group	Assets repossessed from the borrowers	Total non-current assets held for sale
As at 1 January 2010	**-**	**1,319**	**1,319**
Assets classified as non-current assets held for sale in the reporting period	19,500	-	19,500
Disposal	-	(584)	(584)
As at 31 December 2010	**19,500**	**735**	**20,235**
Assets classified as non-current assets held for sale in the reporting period	-	10,666	10,666
Impairment	(13,489)	-	(13,489)
Disposal	-	(951)	(951)
As at 31 December 2011	**6,011**	**10,450**	**16,461**

As at 31 December 2011 and 2010 premises previously used by the Group were classified as non-current assets held for sale and were accounted for in the consolidated statement of financial position at fair value less costs to sell. The Management has elaborated a plan to dispose premises. The sale transactions for these assets are expected to be completed in 2012.

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

The premises held for sale have been revalued to fair value at 31 December 2011. The impairment totaling BYR 13,489 million was recognised in the consolidated income statement.

9. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

	Interest to nominal, %	31 December 2011	Interest to nominal, %	31 December 2010
Republic of Belarus Eurobonds	8.7-8.75	333,549	8.75	166,001
Long-term government bonds	10	143,140	10	417,453
Bonds of Belarusian companies	7-31.5	79,183	7-14	97,497
Shares		12,218		11,151
Bonds issued by municipalities	30.0-34.0	11,758	10.5-14.5	18,282
Bonds of Belarusian banks	-	-	11-13	28,181
Other debt securities		-		21
Total investments available for sale		**579,848**		**738,586**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

10. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	Currency	Maturity date	Interest to nominal	31 December 2011
Coupon long-term government bonds	BYR	September 2014	2%	23,955
Bonds issued by municipalities	BYR	July 2020	45%	12,156
Total investments held to maturity				**36,111**

	Currency	Maturity date	Interest to nominal	31 December 2010
Coupon long-term government bonds	BYR	September 2014	2%	46,191
Bonds issued by municipalities	BYR	July 2020	10.5%-14.5%	18,282
Bonds of Belarusian banks	BYR	February 2011	13%	21,681
Total investments held to maturity				**86,154**

11. INVESTMENTS IN ASSOCIATES

The following associates are accounted for under the equity method:

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

31 December 2010 **Name of the associate**	Ownership	Country	Date of acquisition	Type of operation
Closed Joint Stock Insurance Company “TASK”	25.6%	Belarus	11 June 1993	Insurance services

Movements in investments in associates were:

	Year ended 31 December 2011	Year ended 31 December 2010
As at 1 January	7,195	9,288
Share of results of an associate for the period	14,282	(1,246)
Dividends	(276)	(94)
Inflation effect	(3,195)	(753)
As at 31 December	**18,006**	**7,195**

The following table illustrates summarised financial information of the associates:

Aggregated assets and liabilities of associates	31 December 2011	31 December 2010
Assets	288,343	128,190
Liabilities	223,608	100,086
Net assets	**64,735**	**28,104**

Aggregated revenue and profit of associates	31 December 2011	31 December 2010
Revenue	230,760	202,134
Profit/(loss)	38,519	(4,867)

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

12. PREMISES AND EQUIPMENT AND INTANGIBLE ASSETS

Premises and equipment comprise:

	Notes	Premi-ses	Computer equipment	Vehicles	Furniture and other assets	Construc-tion in progress	Total
Cost at 31 December 2009		278,160	139,170	50,363	257,055	11,994	736,742
Accumulated depreciation		-	(88,320)	(32,697)	(155,520)	-	(276,537)
Carrying amount at 31 December 2009		**278,160**	**50,850**	**17,666**	**101,535**	**11,994**	**460,205**
Additions		9,344	16,423	5,588	32,261	17,974	81,590
Transfers		795	96	-	4,833	(5,724)	-
Disposals – at cost		(762)	(7,141)	(2,750)	(7,984)	(5,528)	(24,165)
Disposals – accumulated depreciation		244	7,070	2,750	7,815	-	17,879
Depreciation charge	26	(12,168)	(20,888)	(4,034)	(25,272)		(62,362)
Negative revaluation of premises		(28,275)	-	-	-	-	(28,275)
Revaluation of premises recognised in other comprehensive income		420,545	-	-	-	-	420,545
Transfer to non-current assets held for sale		(19,500)	-	-	-	-	(19,500)
Carrying amount at 31 December 2010		**648,383**	**46,410**	**19,220**	**113,188**	**18,716**	**845,917**
Fair value or cost at 31 December 2010		660,307	148,548	53,201	286,165	18,716	1,166,937
Accumulated depreciation		(11,924)	(102,138)	(33,981)	(172,977)	-	(321,020)
Additions		9,027	22,102	12,133	16,667	24,669	84,598
Transfers		-	12,871	-	526	(13,397)	-
Disposals – at cost		(10,666)	(5,106)	(3,403)	(16,003)	(621)	(35,799)
Disposals – accumulated depreciation		346	4,862	3,401	13,173	-	21,782
Depreciation charge	26	(12,095)	(20,961)	(5,238)	(23,667)	-	(61,961)
Negative revaluation of premises		(8,878)	-	-	-	-	(8,878)
Revaluation of premises recognised in other comprehensive income		(7,617)	-	-	-	-	(7,617)
Accumulated depreciation write off		23,162					23,162
Fixed assets of a disposed subsidiary		(3,083)	-	-	(2,486)	(252)	(5,821)
Carrying amount at 31 December 2011		**638,579**	**60,178**	**26,113**	**101,398**	**29,115**	**855,383**
Fair value or cost at 31 December 2011		638,579	178,414	61,928	284,869	29,115	1,192,905
Accumulated depreciation		-	(118,236)	(35,815)	(183,471)	-	(337,522)

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

12. PREMISES AND EQUIPMENT AND INTANGIBLE ASSETS (CONTINUED)

Premises have been revalued to fair value at 1 January 2010 and 31 December 2011. The revaluations were performed by the independent appraisers who used appropriate valuation techniques and information about real estate transactions on the local market. At 31 December 2011 the carrying amount of premises would have been BYR 253,195 million had the premises been carried at cost less depreciation.

At 31 December 2011 included in computer equipment are fully depreciated items in the amount of BYR 61,551 million (2010: BYR 23,337 million), in vehicles in the amount of BYR 18,814 million (2010: BYR 9,937 million) and in furniture and other assets in the amount of BYR 94,387 million (2010: BYR 38,887 million).

Movements in intangible assets presented in the table below:

	Notes	Intangible assets
Cost at 31 December 2009		50,899
Accumulated depreciation		(22,048)
Carrying amount at 31 December 2009		**28,851**
Additions		12,687
Disposals – at cost		(1,629)
Disposals – accumulated depreciation		1,614
Depreciation charge	26	(10,709)
Carrying amount at 31 December 2010		**30,814**
Cost at 31 December 2010		61,957
Accumulated depreciation		(31,143)
Additions		21,223
Disposals – at cost		(1,232)
Disposals – accumulated depreciation		907
Depreciation charge	26	(11,296)
Carrying amount at 31 December 2011		**40,416**
Cost at 31 December 2011		81,948
Accumulated depreciation		(41,532)

As at 31 December 2011 the Group's net prepayments for the fixed and intangible assets totaled BYR 16,196 million (2010: BYR 2,183 million).

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

13. OTHER ASSETS

Other assets comprise:

	31 December 2011	31 December 2010
Other financial assets:		
Settlement accounts on other banking services	70,422	42,046
Compensation payments from participation in government program on supporting national producers of consumer goods	3,435	-
Accrued income	2,957	5,768
Other	6	-
	76,820	**47,814**
Other non-financial assets:		
Precious metals	25,342	11,126
Prepayments for premises, equipment and intangible assets	20,152	6,295
Prepaid expenses	14,877	7,358
Taxes recoverable and prepaid, other than income taxes	12,952	28,187
Inventory	7,308	8,126
Prepayments for assets to be transferred into finance lease	4,275	8,065
Other advances and prepayments	9,861	4,854
	94,767	**74,011**
Total other assets	**171,587**	**121,825**

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

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

	31 December 2011	31 December 2010
Loans from the National Bank of the Republic of Belarus	302,252	244,340
Total loans from the National Bank of the Republic of Belarus	**302,252**	**244,340**

At 31 December 2011 and 2010 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 302,252 million and BYR 244,340 million, respectively, granted in USD for further financing of two borrowers (Note 7). Contractually the Bank bears all credit risk and earns 0.2% - 1.5% interest margin on these agreements.

15. DUE TO BANKS

Due to banks comprise:

	31 December 2011	31 December 2010
Loans from banks and financial institutions	5,382,848	3,437,963
Loan in precious metals	3,079,136	1,420,945
Correspondent accounts of banks	142,842	56,575
Total due to banks	**8,604,826**	**4,915,483**

At 31 December 2011 a balance of due to banks amounting to BYR 7,462,907 million was due to four counterparties, including BYR 6,498,491 million due to Sberbank of Russia, which individually exceeded 10% of the Group’s equity.

At 31 December 2010 a balance of due to banks amounting to BYR 3,760,453 million was due to three counterparties, including BYR 3,249,812 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 Belarussian Rouble as at 31 December 2011)

16. DUE TO INDIVIDUALS AND DUE TO CORPORATE CUSTOMERS

Due to individuals and corporate customers comprise:

	31 December 2011	31 December 2010
Individuals:		
- Current/demand accounts	1,018,225	688,444
- Term deposits	4,440,484	3,720,338
Total due to individuals	**5,458,709**	**4,408,782**
State and public organisations:		
- Current/settlement accounts	61,909	105,055
- Term deposits	239,460	129,492
Total due to state and public organisations	**301,369**	**234,547**
Other corporate customers:		
- Current/settlement accounts	2,455,135	2,333,035
- Term deposits	3,559,326	2,729,360
Total due to other corporate customers	**6,014,461**	**5,062,395**
Total due to corporate customers	**6,315,830**	**5,296,942**
Total due to individuals and corporate customers	**11,774,539**	**9,705,724**

As at 31 December 2011 included in due to corporate customers are deposits of BYR 525,380 million (2010: BYR 411,608 million) held as collateral for irrevocable commitments under import letters of credit.

As at 31 December 2011 the aggregated balances of 20 largest customers was BYR 2,837,839 million or 24.1% of total due to individuals and corporate customers (2010: BYR 2,037,564 million or 21.0%).

Industry sector concentrations within customer accounts are as follows:

	31 December 2011		31 December 2010	
	Amount	%	Amount	%
Individuals	5,458,709	46.4	4,408,782	45.5
Machinery and equipment	1,370,937	11.6	1,277,905	13.2
Trade	706,343	6.0	669,267	6.9
Energy	591,785	5.0	296,460	3.1
Insurance and other financial services	536,584	4.6	615,687	6.3
Transport and communications	515,946	4.4	250,859	2.6
Oil refinery and chemical industry	514,229	4.4	282,166	2.9
Construction	467,669	4.0	729,446	7.5
Mining	385,685	3.3	25,412	0.3
Light industry	210,357	1.8	140,374	1.4
Education	175,120	1.5	110,954	1.1
Building materials industry	102,842	0.9	119,731	1.2
Food	70,226	0.6	202,379	2.1
State and government bodies	69,437	0.6	55,560	0.6
Woodworking and timber industry	65,821	0.6	47,500	0.5
Metallurgy	62,707	0.5	28,381	0.3
Agriculture	14,619	0.1	21,960	0.2
Other	455,523	3.9	422,901	4.3
Total due to individuals and corporate customers	**11,774,539**	**100.0**	**9,705,724**	**100.0**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

17. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Nominal interest rate, %	31 December 2011	Nominal interest rate, %	31 December 2010
Bonds issued to legal entities	5.5-49.5	1,084,412	5.0-14.5	881,482
Bonds issued to individuals	7.0-51.0	82,651	7.0-16.5	161,965
Certificates of deposit	48.0-59.0	1,140	7.0-10.7	23,315
Saving certificates	15.5-18.0	2	15.5-18	1,075
Total debt securities issued		**1,168,205**		**1,067,837**

Bonds issued to legal entities are interest-bearing securities issued by the Group. They are denominated in BYR, USD and Euro and have maturity dates from "on demand" to March 2013 (2010: from "on demand" to March 2012). Interest rates on such bonds vary from 5.5% (for bonds in USD and EUR) to 49.5% (for bonds in BYR) p.a. (2010: from 5.0% to 14.5% p.a.). Bonds are freely tradable on the Belarusian financial market.

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 March 2013 (2010: from "on demand" to April 2012). Interest rates on such bonds vary from 7.0% (for bonds in USD and EUR) to 51.0% (for bonds in BYR) p.a. (2010: from 7.0% to 16.5% 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 2012 (2010: from "on demand" to June 2011). Interest rates on such securities vary from 15.5% (for certificates in USD and EUR) to 59.0% (for certificates in BYR) p.a. (2010: from 7.0% to 18.0% p.a.).

18. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2011	31 December 2010
Other financial liabilities:		
Settlement accounts on other banking services	20,583	8,591
Payments due to other contractors	14,807	14,751
Accrued fee payable under documentary transactions and transactions with plastic cards	11,332	7,696
Payables for assets to be transferred into finance lease	6,017	13,258
Payables for premises and equipment	43	2,383
	52,782	**46,679**
Other non-financial liabilities:		
Taxes payable, other than income taxes	36,620	8,787
Accrued contributions to deposits protection fund	15,840	13,457
Unused leave and bonus accrual	12,412	15,679
Other	378	358
	65,250	**38,281**
Total other liabilities	**118,032**	**84,960**

Movements in allowance for losses on guarantees and other commitments for the years ended 31 December 2011 and 2010 are disclosed in Note 21.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

19. SHARE CAPITAL

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

	Number of shares		Nominal amount, BYR		Inflation adjustment	Total, mln. BYR
	Preferred	Ordinary	Preferred	Ordinary		
31 December 2009	871,112	894,886,601	465	465	1,162,372	1,578,899
Increase in share capital	-	207,942,287	-	465	106,085	202,778
31 December 2010	**871,112**	**1,102,828,888**	**465**	**465**	**1,268,457**	**1,781,677**
31 December 2011	**871,112**	**1,102,828,888**	**465**	**465**	**1,268,457**	**1,781,677**

All ordinary shares are ranked equally and carry one vote. Preference shares are non-voting. Preference shares are entitled to annual dividend, the amount of which is determinable by annual shareholders meeting. For the year ended 31 December 2010 the Bank issued 207,942,287 ordinary shares.

During the year ended 31 December 2011 the Bank declared BYR 6,566 million and BYR 36 million dividends on ordinary and preference shares for the year 2009, respectively. The dividends were BYR 6 per ordinary share and BYR 41 per preference share.

During the year ended 31 December 2010 the Bank declared BYR 28,239 million and BYR 41 million dividends on ordinary and preference shares for the year 2009, respectively. The dividends were BYR 47 per ordinary share and BYR 25 per preference share.

In accordance with Belarussian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with Belarusian GAAP. The Bank had approximately BYR 809,046 million of undistributed and unreserved earnings as at 31 December 2011 (2010: BYR 281,059 million).

20. NET INTEREST INCOME BEFORE LOAN IMPAIRMENT

The net interest income before allowance for loan impairment comprises:

	Year ended 31 December 2011	Year ended 31 December 2010
Interest income		
Interest on loans to customers	2,362,154	1,363,249
Interest on due from banks	159,515	70,731
Interest on investments available for sale	77,834	63,874
Interest on investments held to maturity	8,100	5,334
Compensation payments on participation in government program	1,254	1,803
Total interest income	**2,608,857**	**1,504,991**
Interest expense		
Interest on due to individuals	493,062	379,531
Interest on due to corporate customers	378,988	295,113
Interest on deposits from banks	300,585	77,003
Interest on debt securities issued	151,793	106,906
Interest on deposits from National Bank	29,198	34,579
Total interest expense	**1,353,626**	**893,132**
Net interest income before allowance for loan impairment	**1,255,231**	**611,859**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

21. ALLOWANCE FOR LOAN IMPAIRMENT, OTHER PROVISIONS

The movements in allowance for loan impairment were as follows:

		Loans to individuals			
	Loans to legal entities	**Consumer and other loans**	**Mortgage loans**	**Car loans**	**Total**
31 December 2009	342,102	17,183	12,210	2,452	373,947
Allowance charge/ (reversal of fllowan-ce) for the period	117,491	13,508	22,006	(2)	153,003
Inflation effect	(37,713)	(1,894)	(1,346)	(270)	(41,223)
31 December 2010	**421,880**	**28,797**	**32,870**	**2,180**	**485,727**
Allowance charge for the period	512,288	16,704	16,685	603	546,280
Amounts written off	(15,324)	-	-	-	(15,324)
Inflation effect	(371,462)	(25,356)	(28,942)	(1,919)	(427,679)
31 December 2011	**547,382**	**20,145**	**20,613**	**864**	**589,004**

The movements in provision on other transactions were as follows:

	Guarantees and other commitments
31 December 2009	**17,863**
Provision	8,376
Inflation effect	(2,019)
31 December 2010	**24,220**
Provision	12,326
Inflation effect	(31,295)
31 December 2011	**5,251**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

22. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2011	Year ended 31 December 2010
Fee and commission income		
Salary transfer on card accounts and related cash withdrawals	186,298	199,681
Settlement and cash operations with clients	128,631	141,474
Other operations with plastic cards	125,869	114,752
Documentary operations	94,254	49,928
Foreign exchange operations	67,936	20,946
Cash delivery and collection	26,133	21,468
Settlements with banks	7,942	4,403
Securities operations	2,060	2,688
Other	4,631	2,101
Total fee and commission income	**643,754**	**557,441**
Fee and commission expense		
Plastic cards operations	77,773	78,592
Documentary operations	56,794	24,917
Foreign exchange and cash operations	33,094	935
Correspondent bank services	9,681	7,566
Cash delivery and collection	8,972	12,998
Other	5,552	1,436
Total fee and commission expense	**191,866**	**126,444**

23. NET GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2011	Year ended 31 December 2010
Net gains arising from trading in foreign currencies	171,511	149,475
Net foreign exchange translation losses	(2,744,779)	32,763
Net gains/(losses) from operations with foreign currency derivatives	2,948,097	(76,476)
Total net gain on foreign exchange operations	**374,829**	**105,762**

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

	Year ended 31 December 2011	Year ended 31 December 2010
Net gains from operations with physical precious metals	23,886	1,508
Net precious metals translations losses	(2,188,578)	(65,762)
Net gains from operations with precious metals derivatives	2,226,625	99,108
Total net gain from operations with precious metals	**61,933**	**34,854**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

24. NET GAINS FROM DISPOSAL OF SUBSIDIARY

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

	31 December 2011	14 February 2011
Net assets	5,877	(10,429)
Inflation effect	-	(12,217)
Proceeds from disposal of subsidiary	-	(192)
Net gain from disposal of subsidiary	-	(22,838)
The Group's 50% share in net assets of the associate CJSC "BPS-Leasing"	2,939	-

25. OTHER INCOME

Other income comprises:

	Year ended 31 December 2011	Year ended 31 December 2010
Net gain from sale of premises, equipment and other assets	15,757	319
Repayment of loans previously written off	9,574	30,247
Proceeds from non-banking activities of subsidiaries	2,889	2,356
Penalties received	454	173
Income from operating leases	316	653
Other	6,106	1,290
Total other income	**35,096**	**35,038**

26. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2011	Year ended 31 December 2010
Staff costs	324,632	284,601
Social security contribution	91,478	85,809
Depreciation and amortization	73,257	73,071
Contributions to deposits protection fund	57,670	48,697
Expenses on maintenance of banking software	37,650	27,432
Premises and equipment maintenance	32,657	48,806
Taxes, other than income taxes	21,872	15,149
Security expenses	18,877	18,830
Public utilities payments	16,701	13,655
Advertising costs	15,323	7,312
Operating leases	10,241	10,897
Vehicles maintenance and fuel expenses	6,681	6,225
Legal and consulting services	6,181	5,649
Other staff expenses	6,092	2,719
Stationery	4,173	5,129
Charity and sponsorship expenses	4,156	2,095
Communications	3,852	4,741
Other expenses	64,171	37,672
Total operating expenses	**795,664**	**698,489**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

27. INCOME TAXES

Income tax expense comprises the following:

	Year ended 31 December 2011	Year ended 31 December 2010
Current tax	175,950	108,883
Deferred tax	78,046	89,224
Less: Deferred tax recognised in other comprehensive income	(12,571)	(85,269)
Income tax expense	**241,425**	**112,838**

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

During the year ended 31 December 2010 the tax rates for the Bank and its leasing subsidiary were 24% for the republican tax and 3% for the municipal tax. The rates were charged successively and the combined rate was 26.28%. Limited Liability Company “Narochanskaya Niva 2004” was not subjected to income taxes.

On 15 October 2010 amendment to the Belarusian Tax Code was introduced an under which 3% for the municipal tax repealed. The amendment became effective from 1 January 2011. Thus, during the year ended 31 December 2011 the tax rate for the Bank and its leasing subsidiary was 24% for the republican tax only.

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences at 31 December 2011 and 2010 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

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

	Year ended 31 December 2011	Year ended 31 December 2010
Profit before income taxes	**152,396**	**230,111**
Combined statutory tax rate	**24.00%**	**26.28%**
Tax at the statutory tax rate	36,575	60,473
Capital expenditure tax exemptions	(26,467)	(22,503)
Profit before tax of subsidiaries taxed at different tax rates	1,389	918
Tax exempt income	(8,948)	(175)
Non-deductible expenditures	220,083	77,653
Effect of change of the income tax rate	(40,303)	(8,498)
Reverse of equity items in taxable profits to the profit or loss	38,859	2,381
Change in unrecognised deferred tax asset	-	37,335
Reversal of decrease of unrecognised deferred tax assset not affecting profit or loss	(17,050)	(35,523)
Tax effect of losses of liquidated outlets	33,428	-
Tax effect of permanent differences	3,859	777
Income tax expense	**241,425**	**112,838**

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 18% (2010: 24%).

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

27. INCOME TAXES (CONTINUED)

	31 December 2010	Credited/ (charged) to profit or loss	Recognised in other comprehensive income	Hyper-inflation effect	31 December 2011
Tax effect of deductible temporary differences					
Loans to customers	42,790	(17,019)	-	(22,284)	3,487
Derivative financial liabilities	19,813	486,358	-	(10,318)	495,853
Other assets	6,268	3,413	-	(3,264)	6,417
Unused vacations	5,039	537	-	(2,624)	2,952
Gross deferred tax asset	**73,910**	**473,289**	**-**	**(38,490)**	**508,709**
Unrecognised deferred tax asset	(35,577)	17,050	-	18,527	-
Deferred tax asset, net	**38,333**	**490,339**	**-**	**(19,963)**	**508,709**
Tax effect of taxable temporary differences					
Loans to customers	8,587	12,247	-	(4,472)	16,362
Premises and equipment and intangible assets	85,269	8,572	12,571	(44,406)	62,006
Derivative financial assets	30,099	520,971	-	(15,675)	535,395
Other assets	-	2,349	-	-	2,349
Other temporary differences	3,831	11,676	-	(1,995)	13,512
Deferred tax liability	**127,786**	**555,815**	**12,571**	**(66,548)**	**629,624**
Total net deferred tax liability	**(89,453)**	**(65,476)**	**(12,571)**	**46,585**	**(120,915)**

	31 December 2009	Credited/ (charged) to profit or loss	Recognised in other comprehensive income	Hyper-inflation effect	31 December 2010
Tax effect of deductible temporary differences					
Loans to customers	50,297	(2,923)	-	(4,584)	42,790
Premises and equipment and intangible assets	41,081	-	(37,335)	(3,746)	-
Derivative financial liabilities	664	19,210	-	(61)	19,813
Other assets	7,293	(359)	-	(666)	6,268
Unused vacations	6,712	(1,062)	-	(611)	5,039
Gross deferred tax asset	**106,047**	**14,866**	**(37,335)**	**(9,668)**	**73,910**
Unrecognised deferred tax asset	(80,768)	(1,812)	37,335	9,668	(35,577)
Deferred tax asset, net	**25,279**	**13,054**	**-**	**-**	**38,333**
Tax effect of taxable temporary differences					
Loans to customers	-	8,587	-	-	8,587
Premises and equipment and intangible assets	-	-	85,269	-	85,269
Derivative financial assets	8,344	22,515	-	(760)	30,099
Accrued interest income	16,368	(14,876)	-	(1,492)	-
Other temporary differences	3,355	783	-	(307)	3,831
Deferred tax liability	**28,067**	**17,009**	**85,269**	**(2,559)**	**127,786**
Total net deferred tax liability	**(2,788)**	**(3,955)**	**(85,269)**	**2,559**	**(89,453)**

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

28. COMMITMENTS AND CONTINGENCIES

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

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

Provision for losses on contingent liabilities amounted to BYR 5,251 million and BYR 24,220 million at 31 December 2011 and 2010, respectively (Note 21).

At 31 December 2011 and 2010 the nominal or contract amounts of contingent liabilities were:

	31 December 2011	31 December 2010
Contingent liabilities and credit commitments		
Uncovered letters of credit	1,404,202	756,993
Commitments on loans and unused credit lines	594,992	2,996,665
Letters of credit secured by cash	525,380	411,608
Guarantees issued and similar commitments	520,549	181,227
Total contingent liabilities and credit commitments	**3,045,123**	**4,346,493**

Operating lease commitments – Where the Group is the lessee, the future minimum lease payments under non cancelable operating leases at 31 December 2011 and 2010 are as follows:

	31 December 2011	31 December 2010
Not later than 1 year	30,371	6,673
Later than 1 year and not later than 5 years	58,615	8,781
Later than 5 years	679	150
Total operating lease commitments	**89,665**	**15,604**

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

Pensions and retirement plans – Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. At 31 December 2011 and 2010 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

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

Operating environment – In 2011, there was a significant deterioration in the macroeconomic environment in Belarus, which began in March 2011 and continued in the second and third quarters of 2011.

The main drivers of the economic deterioration are the high current account deficit, reduced and limited external financial support and absence of significant foreign exchange inflows at the beginning of 2011. All of these factors resulted in a significant decrease in the gold and foreign currency reserves of the National Bank in the first quarter of 2011, which was followed by foreign exchange shortages in the country.

On 24 May 2011, the Belarusian rouble was officially devalued by 64% against the US dollar compared to the exchange rate as of 31 December 2010. The actual spot market exchange rates differed from the official rates by 40% reflecting a significant shortage of foreign currency in the country. On 21 October 2011, the Belarusian rouble was further officially devalued by 76% against the US dollar compared to the exchange rate as of 24 May 2011 and the dual exchange rate of the currency on different markets disappeared. The inflation rate for 2011 was 108.7% (See Note 2). The National Bank has gradually increased the prime refinancing rate in Belarusian roubles from 10.5% at 31 December 2010 to 45% as at 31 December 2011.

28. COMMITMENTS AND CONTINGENCIES (CONTINUED)

In June 2011, Belarus secured external financial support from the EurAsEC anti-crisis fund. The two first tranches were disbursed in 2011; the release of the remaining four tranches during the next three years is conditional upon progress and implementation of the agreed economic measures as developed by the Government, National Bank and agreed with the EurAsEC. In addition, significant amounts received from Russia both in terms of loans and as a result of privatisation of state assets resulted in a significant increase of the reserves of the National Bank. The reserves level is considered by the Government and the National Bank to be sufficient to address foreign exchange shortages and external financing requirements of the country in the short and medium term.

The currency crisis also affected the financial position of many of the Group's borrowers, the results of their operations and business prospects. As the result, the borrowers of the Group may have experienced a deterioration in their own liquidity, which in turn may affect their ability to repay all amounts due to the Group when due. To the extent that information is available, the Group has reflected revised estimates of expected future cash flows in its impairment assessment.

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

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

29. TRANSACTIONS WITH RELATED PARTIES

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

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

The Group had the following transactions outstanding at 31 December 2011 and 2010 with related parties:

	31 December 2011		31 December 2010	
	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	**84,116**	**4,478,314**	**79,263**	**2,621,434**
- parent bank	84,116		79,263	
Loans to customers, gross	**107,639**	**13,642,686**	**6,809**	**13,778,298**
- associates	99,572		-	
- key management personnel	8,067		6,809	
Allowance for impairment losses	**5,193**	**589,004**	**244**	**485,727**
- associates	4,881		-	
- key management personnel	312		244	
Investments in an associate	**16,461**	**16,461**	**7,195**	**7,195**
Due to banks	**6,498,491**	**8,622,389**	**3,249,812**	**4,915,483**
- parent bank	6,498,491		3,249,812	
Subordinated debt	**432,172**	**432,172**	-	**-**
- parent bank	432,172			
Due to individuals	**3,489**	**5,458,709**	**5,576**	**4,408,782**
- key management personnel	3,489		5,576	
Due to corporate customers	**62,994**	**6,315,830**	**42,331**	**5,296,942**
- associates	62,994		42,331	
Commitments and contingencies	**5,648**	**3,045,123**	**9,592**	**4,346,493**
- associates	5,400		9,152	
- key management personnel	248		440	

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

Included in the consolidated income statement for the year ended 31 December 2011 and 2010 are the following amounts which arose due to transactions with related parties:

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

29. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

	Year ended 31 December 2011		Year ended 31 December 2010	
	Related party transactions	**Total category as per the financial statements caption**	**Related party transactions**	**Total category as per the financial statements caption**
Interest income	**34,169**	**2,608,857**	**1,229**	**1,504,991**
- parent bank	3,338		814	
- associates	30,296		-	
- key management personnel	535		415	
Fee and commission income	**3,828**	**643,754**	**4,889**	**557,441**
- parent bank	114		29	
- associates	3,714		4,860	
Interest expenses	**360,503**	**1,353,626**	**37,959**	**893,132**
- parent bank	356,753		35,201	
- associates	3,272		2,247	
- key management personnel	478		511	
Allowance / (reversal of allowance) for loan impairment	**6,725**	**356,231**	**121**	**145,869**
- associates	6,640		-	
- key management personnel	85		121	
Fee and commission expense	**39,560**	**191,866**	**7,846**	**126,444**
- parent bank	39,560		7,846	
Staff costs	**31,609**	**324,632**	**8,937**	**284,601**
- key management personnel	31,609		8,937	

During the year ended 31 December 2011 and 2010 remuneration of key management personnel was comprised by short-term employee benefits.

30. SEGMENT REPORTING

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

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

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

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

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

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

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.

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

30. SEGMENT REPORTING (CONTINUED)

Segment information about these businesses is presented below:

	Retail banking	Corporate banking	Unallocated	31 December 2011/ Year ended 31 December 2011 Total
Interest income	326,579	2,111,728	170,550	2,608,857
Interest expense	(488,918)	(533,900)	(330,808)	(1,353,626)
Allowance for impairment losses on interest bearing assets	(33,992)	(512,288)	-	(546,280)
Fee and commission income	102,916	487,553	53,285	643,754
Fee and commission expense	(55,219)	(97,720)	(38,927)	(191,866)
Net gains arising from investment securities available for sale	-	-	(2,185)	(2,185)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	8,575	162,936	203,318	374,829
Net gains arising from operations with precious metals, precious metals derivatives and precious metals translations gains	1,194	22,692	38,047	61,933
Negative revaluation of office premises	-	-	(8,878)	(8,878)
Other provisions	-	(12,326)	-	(12,326)
Impairment of non-current assets held for sale	-	(13,489)	-	(13,489)
Net gains from disposal of subsidiary	-	-	22,838	22,838
Other income	-	-	35,096	35,096
External operating income	(138,865)	1,615,186	142,336	1,618,657
Income/(expense) from other segments	440,134	(763,072)	322,938	-
Total operating income	**301,269**	**852,114**	**465,274**	**1,618,657**
Operating expenses	-	-	(795,664)	(795,664)
Share of results of an associate	-	-	14,282	14,282
Profit before loss on net monetary position	**301,269**	**852,114**	**(316,108)**	**837,275**
Loss on net monetary position due to inflation effect	(63,847)	(421,880)	(199,152)	(684,879)
Profit before income taxes	**237,422**	**430,234**	**(515,260)**	**152,396**
Income tax expense	-	-	(241,425)	(241,425)
Net profit/(loss)	**237,422**	**430,234**	**(756,685)**	**(89,029)**
Segment assets	**1,075,090**	**12,550,033**	**11,041,309**	**24,666,432**
Segment liabilities	**(5,356,659)**	**(5,097,621)**	**(12,149,949)**	**(22,604,229)**
Other segment items				
Loans to customers	1,779,560	11,998,738	-	13,778,298
Customer accounts	(5,458,709)	(6,315,830)	-	(11,774,539)
Debt securities issued	82,653	1,085,552	-	1,168,205

(in millions of Belarusian Roubles in terms of purchasing power of the Belarussian Rouble as at 31 December 2011)

30. SEGMENT REPORTING (CONTINUED)

	Retail banking	Corporate banking	Unallocated	31 December 2010/ Year ended 31 December 2010 Total
Interest income	158,618	1,270,242	76,131	1,504,991
Interest expense	(398,274)	(383,937)	(110,921)	(893,132)
Allowance for impairment losses on interest bearing assets	(36,614)	(116,389)	-	(153,003)
Fee and commission income	265,623	291,980	(162)	557,441
Fee and commission expense	(78,591)	(24,917)	(22,936)	(126,444)
Net gains arising from investment securities available for sale	-	-	348	348
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains	7,474	142,001	(43,713)	105,762
Net gains arising from operations with precious metals, precious metals derivatives and precious metals translations gains	75	1,433	33,346	34,854
Other provisions	-	(8,376)	-	(8,376)
Negative revaluation of office premises	-	-	(28,275)	(28,275)
Other income	-	-	35,038	35,038
External operating income	**(81,689)**	**1,172,037**	**(61,144)**	**1,029,204**
Income/(expense) from other segments	445,090	(708,982)	263,892	-
Total operating income	**363,401**	**463,055**	**202,748**	**1,029,204**
Operating expenses	-	-	(698,489)	(698,489)
Share of results of an associate	-	-	(1,246)	(1,246)
Profit before loss on net monetary position	**363,401**	**463,055**	**(496,987)**	**329,469**
Loss on net monetary position due to inflation effect	(9,263)	(61,204)	(28,891)	(99,358)
Profit before income taxes	**354,138**	**401,851**	**(525,878)**	**230,111**
Income tax expense	-	-	(112,838)	(112,838)
Net profit	**354,138**	**401,851**	**(638,716)**	**117,273**
Segment assets	**1,715,712**	**11,576,859**	**5,188,261**	**18,480,832**
Segment liabilities	**4,571,822**	**6,201,739**	**5,459,217**	**16,232,778**
Other segment items				
Loans to customers	1,779,560	11,998,738	-	13,778,298
Customer accounts	4,408,782	5,296,942	-	9,705,724
Debt securities issued	163,040	904,797	-	1,067,837

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 Belarussian Rouble as at 31 December 2011)

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	31 December 2011		31 December 2010	
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
Cash and cash equivalents	4,478,314	4,478,314	2,621,434	2,621,434
Mandatory cash balances with the National Bank of the Republic of Belarus	74,164	74,164	53,155	53,155
Due from banks	135,734	135,734	512,767	512,767
Derivative financial assets	5,210,090	5,210,090	148,990	148,990
Loans to customers	13,036,119	13,036,119	13,292,571	13,292,571
Investments held to maturity	36,111	36,111	86,154	86,154
Investments in an associate	18,006	18,006	7,195	7,195
Other financial assets	76,820	76,820	47,814	47,814
Loans from the National Bank of the Republic of Belarus	302,252	302,252	244,340	244,340
Due to banks	8,604,826	8,604,826	4,915,483	4,915,483
Derivative financial liabilities	-	-	80,860	80,860
Debt securities issued	1,168,205	1,168,205	1,067,837	1,067,837
Other financial liabilities	52,782	52,782	46,679	46,679
Subordinated debt	432,172	432,172	-	-

The Group follows changes in reference rate (commonly, refinancing rate of the National Bank of the Republic of Belarus) and has a right to review interest rates on the loans to customers at fixed rates and funds attracted at fixed rates from individuals and corporate customers. The Group informs its customers one month before changing fixed interest rates.

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

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

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31. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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

At 31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	-	5,210,090	5,210,090
Investments available for sale	333,549	234,081	-	567,630
Equity investments available for sale	2,331	-	-	2,331
Total financial assets	**335,880**	**234,081**	**5,210,090**	**5,780,051**

At 31 December 2010	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial assets	-	148,990	-	148,990
Investments available for sale	166,001	561,413	-	727,414
Equity investments available for sale	1,262	-	-	1,262
Total financial assets	**167,263**	**710,403**	**-**	**877,666**
Financial liabilities				
Derivative financial liabilities	-	80,860	-	80,860
Total financial liabilities	**-**	**80,860**	**-**	**80,860**

During the year ended 31 December 2011, the Group transferred derivative financial assets from level 2 to level 3 of the fair value hierarchy. The carrying amount of the total assets transferred was BYR 5,210,090 million. The reason for the transfers from level 2 to level 3 is that inputs to the valuation models ceased to be observable. Prior to transfer, the fair value of the instruments was determined using observable market transactions for the same or similar instruments. Since the transfer, these instruments have been valued using valuation models incorporating significant non market-observable inputs.

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

	At 1 January 2011	Total gain recorded in profit or loss	Settlements	At 31 December 2011
Financial assets				
Derivative financial assets	148,990	5,255,582	(194,482)	5,210,090
Total level 3 financial assets	148,990	5,255,582	(194,482)	5,210,090
Financial liabilities				
Derivative financial liabilities	80,860	(80,860)	-	-
Total level 3 financial liabilities	80,860	(80,860)	-	-

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

	31 December 2011		31 December 2010	
	Carrying amount	**Effect of reasonably possible alternative assumptions**	**Carrying amount**	**Effect of reasonably possible alternative assumptions**
Financial assets				
Derivative financial instruments	5,210,090	(141,457)	148,990	(63,900)
Financial liabilities				
Derivative financial liabilities	-	-	80,860	130,271

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as at 31 December 2011)

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The inputs used for estimation of fair values of foreign currency derivatives were the quotes of sovereign credit default swaps of the countries with the same credit rating as the Republic of Belarus has, adjusted for risk-free rate of borrowings in USD (10.2%). The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date (57.9%). Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 2.7% lower (2010: assumption for decrease for 200 base points).

33. CAPITAL MANAGEMENT

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

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

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

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

According to the norms established by the National bank of the Republic of Belarus the capital adequacy ratio should be above 8% of risk-weighted assets, measured in accordance with national standards. As at 31 December 2011 and 2010 the Capital Adequacy Ratio under byelorusian legislation was as follows:

	31 December 2011	**31 December 2010**
Core capital	858,670	844,352
Supplementary capital	846,421	158,252
Total capital	**1,705,091**	**1,002,604**
Risk-weighted assets	13,508,594	7,117,882
Risk-weighted off-balance contractual and contingent	648,062	462,069
Capital adequacy ratio	**12%**	**13%**

At 31 December 2011 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 2,494,203 million and tier 1 capital amount was BYR 1,784,848 million with ratios of 13.1% and 9.6%, respectively.

At 31 December 2010 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 2,241,218 million and tier 1 capital amount was BYR 1,908,944 million with ratios of 15.3% and 13.0%, respectively.

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34. RISK MANAGEMENT POLICIES

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

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

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

Credit risk

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

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

31 December 2011	AA	A	BBB	BB	B	Not rated	Total
Cash equivalents	479,953	93,386	130,637	135,382	2,690,760	10,693	3,540,811
Mandatory cash balances with the National Bank	-	-	-	-	74,164	-	74,164
Due from banks	-	-	-	-	110,516	25,218	135,734
Derivative financial assets	-	-	-	-	5,210,090	-	5,210,090
Loans to customers	-	-	-	-	-	13,036,119	13,036,119
Investments available for sale	-	2,330	-	-	476,689	100,829	579,848
Investments held to maturity	-	-	-	-	23,628	12,483	36,111
Other financial assets	-	-	-	-	-	76,820	76,820

31 December 2010	AA	A	BBB	BB	B	Not rated	Total
Cash equivalents	179,166	181,484	103,613	-	1,160,595	54	1,624,912
Mandatory cash balances with the National Bank	-	-	-	-	53,155	-	53,155
Due from banks	-	-	-	-	347,315	165,452	512,767
Derivative financial assets	-	-	190	-	148,293	507	148,990
Loans to customers	-	-	-	-	-	13,292,571	13,292,571
Investments available for sale	-	1,262	-	-	589,954	147,370	738,586
Investments held to maturity	-	-	-	-	46,192	39,962	86,154
Other financial assets	-	-	-	-	-	47,814	47,814

At 31 December 2011 and 2010 other financial assets comprised past due but not impaired assets in the amount of BYR 630 million and BYR 198 million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 7. Except for the above mentioned at 31 December 2011 and 31 December 2010 the Bank had neither past due nor impaired financial assets.

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33. 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:

	Belarus	CIS Countries	OECD Countries	Non-OECD countries	31 December 2011 Total
FINANCIAL ASSETS					
Cash and cash equivalents	3,626,945	278,030	573,083	256	4,478,314
Mandatory cash balances with the National Bank	74,164	-	-	-	74,164
Due from banks	135,734	-	-	-	135,734
Derivative financial assets	5,210,090	-	-	-	5,210,090
Loans to customers	13,036,119	-	-	-	13,036,119
Investments available for sale	577,518	-	2,330	-	579,848
Investments held to maturity	36,111	-	-	-	36,111
Other financial assets	76,820	-	-	-	76,820
TOTAL FINANCIAL ASSETS	**22,773,501**	**278,030**	**575,413**	**256**	**23,627,200**
FINANCIAL LIABILITIES					
Loans from the National Bank	302,252	-	-	-	302,252
Due to banks	129,016	6,623,974	1,828,154	23,682	8,604,826
Derivative financial liabilities	-	-	-	-	-
Due to individuals	5,458,709	-	-	-	5,458,709
Due to corporate customers	6,280,866	1,478	1,504	31,982	6,315,830
Debt securities issued	1,168,205	-	-	-	1,168,205
Provisions for guarantees and other commitments	5,251	-	-	-	5,251
Other financial liabilities	52,782	-	-	-	52,782
Subordinated debt	-	432,172	-	-	432,172
TOTAL FINANCIAL LIABILITIES	**13,397,081**	**7,057,624**	**1,829,658**	**55,664**	**22,340,027**
NET POSITION	**9,376,420**	**(6,779,594)**	**(1,254,245)**	**(55,408)**	

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33. RISK MANAGEMENT POLICIES (CONTINUED)

	Belarus	CIS countries	OECD countries	Non-OECD countries	31 December 2010 Total
FINANCIAL ASSETS					
Cash and cash equivalents	2,154,845	105,777	360,651	161	2,621,434
Mandatory cash balances with the National Bank	53,155	-	-	-	53,155
Due from banks	512,767	-	-	-	512,767
Derivative financial assets	148,800	190	-	-	148,990
Loans to customers	13,292,571	-	-	-	13,292,571
Investments available for sale	737,303	21	1,262	-	738,586
Investments held to maturity	86,154	-	-	-	86,154
Other financial assets	47,814	-	-	-	47,814
TOTAL FINANCIAL ASSETS	**17,033,409**	**105,988**	**361,913**	**161**	**17,501,471**
FINANCIAL LIABILITIES					
Loans from the National Bank	244,340	-	-	-	244,340
Due to banks	48,611	3,335,164	1,507,945	23,763	4,915,483
Derivative financial liabilities	80,747	113	-	-	80,860
Due to individuals	4,408,782	-	-	-	4,408,782
Due to corporate customers	5,296,137	407	340	58	5,296,942
Debt securities issued	1,067,837	-	-	-	1,067,837
Provisions for guarantees and other commitments	24,220	-	-	-	24,220
Other financial liabilities	46,520	-	159	-	46,679
TOTAL FINANCIAL LIABILITIES	**11,217,194**	**3,335,684**	**1,508,444**	**23,821**	**16,085,143**
NET POSITION	**5,816,215**	**(3,229,696)**	**(1,146,531)**	**(23,660)**	

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33. RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk

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

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities. The analysis of undiscounted cash flows on the Group's liabilities by remaining contractual maturity at 31 December 2011 and 2010 is set out below:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	31 December 2011 Total
LIABILITIES							
Loans from the National Bank	1,809	13,153	16,088	297,987	-	-	329,037
Due to banks	1,173,134	1,711,289	2,708,175	3,377,610	86,390	305,844	9,362,442
Due to individuals	909,402	1,248,810	2,363,782	2,631,884	124,635	3,662	7,282,175
Due to corporate customers	4,249,584	1,385,218	831,538	267,383	113,492	245,996	7,093,211
Debt securities issued	43,082	630,648	355,554	464,154	-	-	1,493,438
Other liabilities	38,139	6,420	2,374	1,174	4,675	-	52,782
Subordinated debt	2,861	14,305	17,166	68,666	68,666	466,505	638,169
TOTAL LIABILITIES	**6,418,011**	**5,009,843**	**6,294,677**	**7,108,858**	**397,858**	**1,022,007**	**26,251,254**

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	31 December 2010 Total
LIABILITIES							
Loans from the National Bank	2,677	9,398	17,025	98,935	193,070	-	321,105
Derivative financial liabilities – claims	1,435,293	757,249	551,807	1,964,847	284,843	89,146	5,083,185
Derivative financial liabilities – obligations	(68,404)	(24,980)	(25,118)	(1,264,599)	(746,066)	-	(2,129,167)
Due to banks	68,846	26,249	27,277	1,350,016	821,457	-	2,293,845
Due to individuals	884,174	1,339,855	980,922	1,507,929	66,733	94	4,779,707
Due to corporate customers	3,013,186	1,330,664	654,084	410,660	13,059	438	5,422,091
Debt securities issued	251,479	413,290	26,186	471,799	-	-	1,162,754
Other liabilities	35,614	9,843	1,200	21	-	-	46,678
TOTAL LIABILITIES	**5,622,865**	**3,861,568**	**2,233,383**	**4,539,608**	**633,096**	**89,678**	**16,980,198**

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.

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33. RISK MANAGEMENT POLICIES (CONTINUED)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Overdue	No stated maturity	31 December 2011 Total
ASSETS									
Cash and cash equivalents	4,478,314	-	-	-	-	-	-	-	4,478,314
Mandatory cash balances with the National Bank	-	-	-	-	-	-	-	74,164	74,164
Due from banks	-	10,450	25,218	16,784	-	83,282	-	-	135,734
Derivative financial assets	-	32,234	1,565,166	2,701,819	910,871	-	-	-	5,210,090
Loans to customers	751,961	2,708,609	2,769,868	4,186,474	95,636	2,442,069	81,502	-	13,036,119
Non-current asset held for sale	-	16,461	-	-	-	-	-	-	16,461
Investments available for sale	65	9,287	145,951	222,252	179,805	10,271	-	12,217	579,848
Investments held to maturity	65	3	-	25,429	-	10,614	-	-	36,111
Investments in an associate	-	-	-	-	-	-	-	18,006	18,006
Premises and equipment	-	-	-	-	-	-	-	855,383	855,383
Intangible assets	-	-	-	-	-	-	-	40,416	40,416
Current income tax assets	-	-	-	-	-	-	-	14,199	14,199
Other assets	130,859	11,692	2,065	3,792	146	7,515	630	14,888	171,587
TOTAL ASSETS	**5,361,264**	**2,788,736**	**4,508,268**	**7,156,550**	**1,186,458**	**2,553,751**	**82,132**	**1,029,273**	**24,666,432**
LIABILITIES									
Loans from the National Bank	668	7,515	9,515	284,554	-	-	-	-	302,252
Due to banks	1,123,034	1,510,976	2,536,247	3,103,591	40,492	290,486	-	-	8,604,826
Due to individuals	776,323	712,802	1,898,863	1,973,634	94,254	2,833	-	-	5,458,709
Due to corporate customers	4,098,794	1,176,749	725,840	120,210	3,024	191,213	-	-	6,315,830
Debt securities issued	14,897	516,438	280,264	356,606	-	-	-	-	1,168,205
Current income tax liabilities	-	-	-	-	-	-	-	78,037	78,037
Deferred income tax liabilities	-	-	-	-	-	-	-	120,915	120,915
Provisions for guarantees and other commitments	-	-	-	-	-	-	-	5,251	5,251
Other liabilities	67,645	35,965	2,374	1,174	54	4,621	-	6,199	118,032
Subordinated debt	-	-	-	-	-	432,172	-	-	432,172
TOTAL LIABILITIES	**6,081,361**	**3,960,445**	**5,453,103**	**5,839,769**	**137,824**	**921,325**	**-**	**210,402**	**22,604,229**
Net liquidity surplus/(gap)	**(720,097)**	**(1,171,709)**	**(944,835)**	**1,316,781**	**1,048,634**	**1,632,426**	**82,132**	**818,871**	**2,062,203**
Cumulative liquidity surplus/(gap) at 31 December 2011	**(720,097)**	**(1,891,806)**	**(2,836,641)**	**(1,519,860)**	**(471,226)**	**1,161,200**	**1,243,332**	**2,062,203**	

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33. RISK MANAGEMENT POLICIES (CONTINUED)

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Overdue	No stated maturity	31 December 2010 Total
ASSETS									
Cash and cash equivalents	2,621,434	-	-	-	-	-	-	-	2,621,434
Mandatory cash balances with the National Bank	-	-	-	-	-	-	-	53,155	53,155
Due from banks	38	168,764	185,345	70,426	11,713	76,481	-	-	512,767
Derivative financial assets	695	24,452	-	99,179	4,822	19,842	-	-	148,990
Loans to customers	588,716	3,232,275	2,698,145	3,924,069	1,739,872	1,099,918	9,576	-	13,292,571
Non-current asset held for sale	-	-	20,235	-	-	-	-	-	20,235
Investments available for sale	140	34,130	47,616	462,150	168,236	15,162	-	11,152	738,586
Investments held to maturity	-	21,725	-	3,076	46,191	15,162	-	-	86,154
Investments in an associate	-	-	-	-	-	-	-	7,195	7,195
Premises and equipment	-	-	-	-	-	-	-	845,917	845,917
Intangible assets	-	-	-	-	-	-	-	30,814	30,814
Current income tax assets	1,189	-	-	-	-	-	-	-	1,189
Other assets	94,855	14,369	1,717	1,801	321	432	198	8,132	121,825
TOTAL ASSETS	**3,307,067**	**3,495,715**	**2,953,058**	**4,560,701**	**1,971,155**	**1,226,997**	**9,774**	**956,365**	**18,480,832**
LIABILITIES									
Loans from the National Bank	2,079	7,061	14,125	67,690	153,385	-	-	-	244,340
Due to banks	1,436,884	712,124	512,564	1,892,697	274,539	86,675	-	-	4,915,483
Derivative financial Liabilities	439	1,093	1,692	42,976	34,660	-	-	-	80,860
Due to individuals	848,337	1,229,477	896,261	1,373,401	61,220	86	-	-	4,408,782
Due to corporate customers	3,009,143	1,282,298	603,065	389,614	12,405	417	-	-	5,296,942
Debt securities issued	243,976	388,170	5,336	430,355	-	-	-	-	1,067,837
Current income tax Liabilities	19,901	-	-	-	-	-	-	-	19,901
Deferred income tax Liabilities	-	-	-	-	-	-	-	89,453	89,453
Provisions for guarantees and other commitments	-	-	-	-	-	-	-	24,220	24,220
Other liabilities	58,179	9,872	1,208	21	-	-	-	15,680	84,960
TOTAL LIABILITIES	**5,618,938**	**3,630,095**	**2,034,251**	**4,196,754**	**536,209**	**87,178**	**-**	**129,353**	**16,232,778**
Net liquidity surplus/(gap)	**(2,311,871)**	**(134,380)**	**918,807**	**363,947**	**1,434,946**	**1,139,819**	**9,774**	**827,012**	**2,248,054**
Cumulative liquidity surplus/(gap) at 31 December 2010	**(2,311,871)**	**(2,446,251)**	**(1,527,444)**	**(1,163,497)**	**271,449**	**1,411,268**	**1,421,042**	**2,248,054**	

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33. RISK MANAGEMENT POLICIES (CONTINUED)

The Group's liquidity risk management includes estimation of core deposits, i.e. funds associated with stable customer deposits relationships, with statistical methods applied to historic information on fluctuations of customer accounts balances. Core deposits at 31 December 2011 and 31 December 2010 are estimated in the amount of BYR 1,542,841 million and BYR 1,823,146 million, respectively. As at 31 December 2011 and 31 December 2010 included in due to banks were funds attracted from parent bank in the amount of BYR 6,498,491 million and BYR 3,249,812 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 at 31 December 2011 and 31 December 2010 is as follows:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Overdue	No stated maturity	31 December 2011 Total
Accounts of individuals analyzed based on expected withdrawal dates	480,367	712,802	1,898,863	1,973,634	94,254	2,833	-	295,956	5,458,709
Corporate accounts analyzed based on expected withdrawal dates	2,851,909	1,176,749	725,840	120,210	3,024	191,213	-	1,246,885	6,315,830
Funds attracted from parent bank analyzed	262,102	476,718	263,056	773,481	40,492	290,486	-	6,498,491	8,604,826
Liquidity gap (based on expected withdrawal dates for customers accounts)	**1,683,676**	**(137,451)**	**1,328,356**	**3,649,903**	**1,063,185**	**1,614,863**	**82,132**	**(7,222,461)**	

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	From 3 to 5 years	More than 5 years	Overdue	No stated maturity	31 December 2010 Total
Accounts of individuals analyzed based on expected withdrawal dates	450,472	1,229,477	896,261	1,373,401	61,220	86	-	397,865	4,408,782
Corporate accounts analyzed based on expected withdrawal dates	1,583,862	1,282,298	603,065	389,614	12,405	417	-	1,425,281	5,296,942
Funds attracted from parent bank analyzed	78,165	412,789	341,244	472,259	274,539	86,675	-	3,249,812	4,915,483
Liquidity gap (based on expected withdrawal dates for customers accounts)	**869,994**	**164,955**	**1,090,127**	**1,784,385**	**1,434,946**	**1,139,819**	**9,774**	**(4,245,946)**	

Market Risk

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

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

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

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

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33. RISK MANAGEMENT POLICIES (CONTINUED)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the interest rate margin and the value of the financial instruments. The Group's interest rate policy is primarily directed to provide adequate interest rate margin and stable level of net interest income. The Group manages interest rate risk through periodic estimation of cumulative disbalance between interest sensitive assets and liabilities as a percentage of total interest bearing assets. The Risk Department exercises regular procedures on monitoring, identifying and controlling the interest rate risk. The Bank's Financial Committee takes decisions on interest rate risk limitation.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes" of interest rates. The level of these changes is determined by Management. The sensitivity analysis represents the annual effect of 30% increase/reduction in interest rates in respect of floating rate financial instruments nominated in BYR, and the annual effect of 5% increase/reduction in interest rates in respect of floating rate financial instruments nominated in foreign currencies existing at 31 December 2011 and 31 December 2010, 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:

	At 31 December 2011		At 31 December 2010	
BYR	**Interest rate +30%**	**Interest rate -30%**	**Interest rate +30%**	**Interest rate -30%**
Impact on profit before taxes:				
Assets:				
Due from banks	33,155	(33,155)	119,043	(119,043)
Loans to customers	1,533,430	(1,533,430)	2,252,864	(2,252,864)
Investments available for sale	(15,443)	15,443	(138,673)	138,673
Investments held to maturity	3,627	(3,627)	11,984	(11,984)
Liabilities:				
Loans from the National Bank	-	-	(446)	446
Due to banks	(4,098)	4,098	(3,553)	3,553
Customer accounts	(997,677)	997,677	(1,187,632)	1,187,632
Debt securities issued	(119,647)	119,647	(162,726)	162,726
Net impact on profit before taxes	**433,347**	**(433,347)**	**890,861**	**(890,861)**
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	(29,722)	29,722	(165,217)	165,217
Net impact on comprehensive income	**403,625**	**(403,625)**	**725,644**	**(725,644)**

	At 31 December 2011		At 31 December 2010	
USD	**Interest rate +5%**	**Interest rate -5%**	**Interest rate +5%**	**Interest rate -5%**
Impact on profit before taxes:				
Assets:				
Due from banks	1,261	(1,261)	-	-
Loans to customers	97,626	(97,626)	44,746	(44,746)
Investments available for sale	2,298	(2,298)	206	(206)
Investments held to maturity	3	(3)	-	-
Liabilities:				
Loans from the National Bank	(14,337)	14,337	(11,092)	11,092
Due to banks	(16,633)	16,633	(20,890)	20,890
Customer accounts	(78,666)	78,666	(49,430)	49,430
Debt securities issued	(6,319)	6,319	(6,601)	6,601
Net impact on profit before taxes	**(14,767)**	**14,767**	**(43,061)**	**43,061**
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	**(14,767)**	**14,767**	**(43,061)**	**43,061**

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33. RISK MANAGEMENT POLICIES (CONTINUED)

	At 31 December 2011		At 31 December 2010	
EUR	**Interest rate +5%**	**Interest rate -5%**	**Interest rate +5%**	**Interest rate -5%**
Impact on profit before taxes:				
Assets:				
Due from banks	-	-	825	(825)
Loans to customers	153,113	(153,113)	76,162	(76,162)
Investments available for sale	-	-	-	-
Investments held to maturity	-	-	-	-
Liabilities:				
Loans from the National Bank	-	-	-	-
Due to banks	(153,712)	153,712	(124,186)	124,186
Customer accounts	(54,178)	54,178	(40,410)	40,410
Debt securities issued	(3,959)	3,959	(14,197)	14,197
Net impact on profit before taxes	**(58,736)**	**58,736**	**(101,806)**	**101,806**
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	**(58,736)**	**58,736**	**(101,806)**	**101,806**

	At 31 December 2011		At 31 December 2010	
RUR	**Interest rate +5%**	**Interest rate -5%**	**Interest rate +5%**	**Interest rate -5%**
Impact on profit before taxes:				
Assets:				
Loans to customers	20,091	(20,091)	12,019	(12,019)
Investments available for sale	12	(12)	1	(1)
Investments held to maturity	-	-	-	-
Liabilities:				
Loans from the National Bank	-	-	-	-
Due to banks	(7,266)	7,266	(442)	442
Customer accounts	(47,560)	47,560	(21,813)	21,813
Debt securities issued	(910)	910	-	-
Net impact on profit before taxes	**(35,633)**	**35,633**	**(10,235)**	**10,235**
Impact on comprehensive income (excluding profit for the year):				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	**(35,633)**	**35,633**	**(10,235)**	**10,235**

Currency risk

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

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

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33. RISK MANAGEMENT POLICIES (CONTINUED)

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

	BYR	USD 1USD=BYR 8,350.00	EUR 1EUR=BYR 10,800.00	RUR 1RUR=BYR 261.00	Precious metals	Other curren-cies	31 December 2011 Total
FINANCIAL ASSETS							
Cash and cash equivalents	1,887,545	872,133	1,422,877	255,034	23,286	17,439	4,478,314
Mandatory cash balances with the National Bank of the Republic of Belarus	74,164	-	-	-	-	-	74,164
Due from banks	110,516	25,218	-	-	-	-	135,734
Derivative financial assets	5,210,090	-	-	-	-	-	5,210,090
Loans to customers	5,420,915	2,904,509	3,656,818	1,053,877	-	-	13,036,119
Investments available for sale	205,612	227,948	-	146,288	-	-	579,848
Investments held to maturity	36,046	65	-	-	-	-	36,111
Other financial assets	69,735	3,951	1,085	2,049	-	-	76,820
TOTAL FINANCIAL ASSETS	**13,014,623**	**4,033,824**	**5,080,780**	**1,457,248**	**23,286**	**17,439**	**23,627,200**
FINANCIAL LIABILITIES							
Loans from the National Bank	-	302,252	-	-	-	-	302,252
Due to banks	14,689	596,616	4,545,934	351,862	3,095,663	62	8,604,826
Due to individuals	929,715	2,933,912	1,127,268	269,541	198,272	1	5,458,709
Due to corporate customers	2,731,376	1,040,665	1,166,119	1,205,513	159,502	12,655	6,315,830
Debt securities issued	403,224	367,777	362,414	34,790	-	-	1,168,205
Provisions for guarantees and other commitments	1	1,580	3,670	-	-	-	5,251
Other financial liabilities	24,986	18,165	6,421	3,210	-	-	52,782
Subordinated debt	-	-	432,172	-	-	-	432,172
TOTAL FINANCIAL LIABILITIES	**4,103,991**	**5,260,967**	**7,643,998**	**1,864,916**	**3,453,437**	**12,718**	**22,340,027**
CURRENCY POSITION	**8,910,632**	**(1,227,143)**	**(2,563,218)**	**(407,668)**	**(3,430,151)**	**4,721**	

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33. RISK MANAGEMENT POLICIES (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:

	BYR	**USD** 1USD=BYR 8,350.00	**EUR** 1EUR=BYR 10,800.00	**RUR** 1RUR=BYR 261.00	**Precious metals**	**Other curren-cies**	**31 December 2011 Total**
Claims on derivative financial instruments	-	1,263,239	3,679,661	407,496	3,440,786	-	8,791,182
Obligations on derivative financial instruments	(2,936,934)	-	(1,007,099)	-	-	-	(3,944,033)
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**(2,936,934)**	**1,263,239**	**2,672,562**	**407,496**	**3,440,786**	**-**	**4,847,149**
TOTAL CURRENCY POSITION	**5,973,698**	**36,096**	**109,344**	**(172)**	**10,635**	**4,721**	

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33. RISK MANAGEMENT POLICIES (CONTINUED)

	BYR	USD 1USD=BYR 3,000.00	EUR 1EUR=BYR 3,972.6	RUR 1RUR=BYR 98.44	Precious metals	Other curren-cies	31 December 2010 Total
FINANCIAL ASSETS							
Cash and cash equivalents	1,849,843	322,888	267,792	173,017	-	7,894	2,621,434
Mandatory cash balances with the National Bank of the Republic of Belarus	53,155	-	-	-	-	-	53,155
Due from banks	445,072	1,709	65,986	-	-	-	512,767
Derivative financial assets	148,990	-	-	-	-	-	148,990
Loans to customers	8,565,427	2,081,707	2,137,522	507,915	-	-	13,292,571
Investments available for sale	524,947	213,618	-	21	-	-	738,586
Investments held to maturity	86,154	-	-	-	-	-	86,154
Other financial assets	43,885	1,984	365	1,580	-	-	47,814
TOTAL FINANCIAL ASSETS	**11,717,473**	**2,621,906**	**2,471,665**	**682,533**	**-**	**7,894**	**17,501,471**
FINANCIAL LIABILITIES							
Loans from the National Bank	5,943	238,397	-	-	-	-	244,340
Due to banks	13,380	593,960	2,878,486	9,217	1,420,438	2	4,915,483
Derivative financial liabilities	80,860	-	-	-	-	-	80,860
Due to individuals	1,336,068	1,896,040	993,303	183,371	-	-	4,408,782
Due to corporate customers	3,292,735	623,381	818,771	557,531	2,414	2,110	5,296,942
Debt securities issued	549,591	177,826	340,420	-	-	-	1,067,837
Provisions for guarantees and other commitments	456	7,959	13,263	2,542	-	-	24,220
Other financial liabilities	31,283	7,137	5,615	2,644	-	-	46,679
TOTAL FINANCIAL LIABILITIES	**5,310,316**	**3,544,700**	**5,049,858**	**755,305**	**1,422,852**	**2,112**	**16,085,143**
CURRENCY POSITION	**6,407,157**	**(922,794)**	**(2,578,193)**	**(72,772)**	**(1,422,852)**	**5,782**	

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33. RISK MANAGEMENT POLICIES (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:

	BYR	**USD** 1USD=BYR 3,000.00	**EUR** 1EUR=BYR 3,972.6	**RUR** 1RUR=BYR 98.44	**Precious metals**	**Other curren-cies**	**31 December 2010 Total**
Claims on derivative financial instruments	57,653	994,308	2,581,480	58,130	1,420,438	-	5,112,009
Obligations on derivative financial instruments	(5,063,375)	(62,200)	(58,862)	(21,942)	-	-	(5,206,379)
NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION	**(5,005,722)**	**932,108**	**2,522,618**	**36,188**	**1,420,438**	**-**	**(94,370)**
TOTAL CURRENCY POSITION	**1,401,435**	**9,314**	**(55,575)**	**(36,584)**	**(2,414)**	**5,782**	

Currency risk sensitivity

The following tables detail the Group's sensitivity to an increase and decrease in the USD, EUR and RUR against the BYR. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents Management's assessment of the possible change in foreign currency exchange rates. At 31 December 2011 and 31 December 2010 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.

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33. RISK MANAGEMENT POLICIES (CONTINUED)

	At 31 December 2011		At 31 December 2010	
	BYR/USD +30%	**BYR/USD -10%**	**BYR/USD +30%**	**BYR/USD -10%**
Impact on profit or loss	10,829	(3,610)	2,794	(931)
Impact on comprehensive income	10,829	(3,610)	2,794	(931)

	At 31 December 2011		At 31 December 2010	
	BYR/EUR +30%	**BYR/EUR -10%**	**BYR/EUR +30%**	**BYR/EUR -10%**
Impact on profit or loss	32,803	(10,934)	(16,673)	5,558
Impact on comprehensive income	32,803	(10,934)	(16,673)	5,558

	At 31 December 2011		At 31 December 2010	
	BYR/RUR +30%	**BYR/RUR -10%**	**BYR/RUR +30%**	**BYR/RUR -10%**
Impact on profit or loss	(52)	17	(10,975)	3,658
Impact on comprehensive income	(52)	17	(10,975)	3,658

Limitations of sensitivity analysis

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

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

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

Operational risk

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

34. SUBSEQUENT EVENTS

At 15 February and 1 March 2012 the National bank of the Republic of Belarus has lowered refinancing rate twice, which at the date of publishing this financial statements made 38%.

At 30 March 2012 during the General meeting of stockholders with the agenda of summary of annual results the Bank declared BYR 9,925 million and BYR 17 million dividends on ordinary and preference shares for the year 2011, respectively. The dividends were BYR 20 per preference share and BYR 9 per ordinary share.