

Translation from original in Russian

BPS-Sberbank
Interim Condensed
Consolidated Financial Statements

30 September 2012

BPS-SBERBANK

TABLE OF CONTENTS

| | Page |
|--|-------------|
| Report on review of interim condensed consolidated financial statements | |
| Interim condensed consolidated financial statements for the 9 months ended 30 September 2012: | |
| Interim condensed consolidated statement of financial position | 1 |
| Interim condensed consolidated income statement | 2 |
| Interim condensed consolidated statement of other comprehensive income | 3 |
| Interim condensed consolidated statement of changes in equity | 4 |
| Interim condensed consolidated statement of cash flows | 5-6 |
| Notes to interim condensed consolidated financial statements: | |
| 1. ORGANISATION | 7 |
| 2. BASIS OF PRESENTATION | 8 |
| 3. CASH AND CASH EQUIVALENTS | 10 |
| 4. DUE FROM BANKS | 11 |
| 5. DERIVATIVE FINANCIAL INSTRUMENTS | 12 |
| 6. LOANS TO CUSTOMERS | 13 |
| 7. NON-CURRENT ASSETS HELD FOR SALE | 21 |
| 8. INVESTMENTS AVAILABLE FOR SALE | 21 |
| 9. INVESTMENTS HELD TO MATURITY | 21 |
| 10. PREMISES AND EQUIPMENT AND INTANGIBLE ASSETS | 21 |
| 11. OTHER ASSETS | 22 |
| 12. LOANS FROM THE NATIONAL BANK OF THE REPUBLIC OF BELARUS | 22 |
| 13. DUE TO BANKS | 22 |
| 14. DUE TO INDIVIDUALS AND DUE TO CORPORATE CUSTOMERS | 23 |
| 15. DEBT SECURITIES ISSUED | 24 |
| 16. OTHER LIABILITIES | 24 |
| 17. SHARE CAPITAL | 25 |
| 18. NET INTEREST INCOME BEFORE LOAN IMPAIRMENT | 25 |
| 19. ALLOWANCE FOR LOAN IMPAIRMENT, OTHER PROVISIONS | 26 |
| 20. FEE AND COMMISSION INCOME AND EXPENSE | 27 |
| 21. NET GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS | 27 |
| 22. NET GAINS FROM DISPOSAL OF SUBSIDIARY | 28 |
| 23. OTHER INCOME | 28 |
| 24. OPERATING EXPENSES | 28 |
| 25. COMMITMENTS AND CONTINGENCIES | 29 |
| 26. TRANSACTIONS WITH RELATED PARTIES | 30 |
| 27. SEGMENT REPORTING | 32 |
| 28. CAPITAL MANAGEMENT | 35 |
| 29. FAIR VALUE OF FINANCIAL INSTRUMENTS | 35 |
| 30. RISK MANAGEMENT POLICIES | 36 |
| 31. SUBSEQUENT EVENTS | 48 |

Translation from original in Russian

Report on Review of Interim Condensed Consolidated Financial Statements

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

Introduction

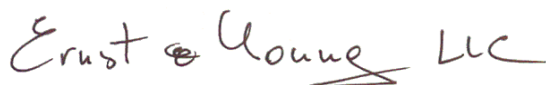
We have reviewed the accompanying interim condensed consolidated financial statements of JSC "BPS-Sberbank" and its subsidiaries and dependent parties (together the "Group") as at 30 September 2012, comprising of the interim condensed consolidated statement of financial position as at 30 September 2012 and the related interim condensed consolidated income statements and statements of other comprehensive income for the three months and the nine months then ended, interim condensed consolidated statements of changes in equity and of cash flows for the nine months then ended and selected explanatory notes. Management of the Group is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

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

Conclusion

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

A handwritten signature in black ink that reads "Ernst & Young LLC". The signature is written in a cursive, slightly stylized font.

22 NOVEMBER 2012

BPS-SBERBANK

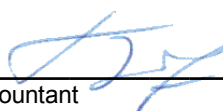
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2012**

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

| | Notes | 30 September 2012 (unaudited) | 31 December 2011 |
|---|--------|----------------------------------|-------------------|
| ASSETS: | | | |
| Cash and cash equivalents | 3, 26 | 3,607,679 | 5,191,262 |
| Mandatory cash balances with the National Bank of the Republic of Belarus | | 166,940 | 85,971 |
| Due from banks | 4, 26 | 160,890 | 157,343 |
| Derivative financial assets | 5 | 5,448,811 | 6,039,536 |
| Loans to corporate customers | 6, 26 | 16,790,112 | 13,913,475 |
| Loans to individuals | 6, 26 | 726,883 | 1,197,994 |
| Non-current assets held for sale | 7 | 15,987 | 19,081 |
| Investments available for sale | 8 | 695,358 | 672,160 |
| Investments held to maturity | 9 | 158,741 | 41,860 |
| Investments in associates | 26 | 23,376 | 20,873 |
| Premises and equipment | 10 | 1,035,686 | 991,560 |
| Intangible assets | 10 | 57,269 | 46,850 |
| Current income tax assets | | 102,779 | 16,459 |
| Other assets | 11 | 251,152 | 198,902 |
| Total assets | | 29,241,663 | 28,593,326 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES: | | | |
| Loans from the National Bank of the Republic of Belarus | 12 | 294,689 | 350,371 |
| Due to banks | 13, 26 | 7,792,749 | 9,974,714 |
| Derivative financial liabilities | 5 | 2,421 | - |
| Due to individuals | 14, 26 | 7,315,902 | 6,327,735 |
| Due to corporate customers | 14, 26 | 8,883,645 | 7,321,310 |
| Debt securities issued | 15 | 1,582,522 | 1,354,183 |
| Current income tax liabilities | | 94,084 | 90,460 |
| Deferred income tax liabilities | | 115,927 | 140,165 |
| Provisions for guarantees and other commitments | 19 | 1,482 | 6,087 |
| Other liabilities | 16 | 171,064 | 136,821 |
| Subordinated debt | 26 | 439,862 | 500,974 |
| Total liabilities | | 26,694,347 | 26,202,820 |
| EQUITY: | | | |
| Share capital | 17 | 2,065,320 | 2,065,320 |
| Revaluation reserve for office premises | | 322,012 | 348,184 |
| Deficit of investments available for sale fair value reserve | | 3,262 | (78,150) |
| Retained earnings | | 156,385 | 54,957 |
| Total equity attributable to shareholders of the Bank | | 2,546,979 | 2,390,311 |
| Non-controlling interest | | 337 | 195 |
| Total equity | | 2,547,316 | 2,390,506 |
| Total liabilities and equity | | 29,241,663 | 28,593,326 |

Signed and authorized for release on behalf of the Management Board


 Chairman of the Board
 Vasili S. Matyushevski
 21 November 2012
 Minsk



 Chief Accountant
 Anatoly V. Boreiko
 21 November 2012
 Minsk

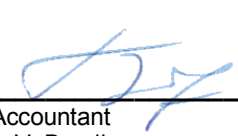
**INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

| | Notes | 3 months ended 30 September 2012 (unaudited) | 3 months ended 30 September 2011 (unaudited) | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|--|--------|---|---|---|---|
| Interest income | 18, 26 | 827,623 | 753,816 | 2,801,390 | 1,991,328 |
| Interest expense | 18, 26 | (473,257) | (382,509) | (1,648,569) | (990,662) |
| NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS | | 354,366 | 371,307 | 1,152,821 | 1,000,666 |
| (Provision)/reverse of provision for impairment losses on interest bearing assets | 19, 26 | (83,260) | (93,494) | (87,998) | (387,230) |
| NET INTEREST INCOME | | 271,106 | 277,813 | 1,064,823 | 613,436 |
| Fee and commission income | 20, 26 | 214,588 | 184,887 | 585,077 | 549,966 |
| Fee and commission expense | 20, 26 | (53,973) | (57,542) | (143,052) | (164,913) |
| Net losses arising from investment securities available for sale | | (2,379) | (1,922) | (3,832) | (1,619) |
| Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains | 21 | 93,483 | 58,202 | 997 | 226,891 |
| Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains | 21 | (61,192) | (7,937) | (228,187) | (17,118) |
| Impairment of office premises and non- current assets held for sale | | - | (57,978) | - | (57,978) |
| Net gains from disposal of subsidiary | 22 | - | - | - | 26,471 |
| Other provisions | 19 | 8,353 | 1,325 | 3,769 | (44,023) |
| Other income | 23 | 6,501 | 4,883 | 25,174 | 17,221 |
| NET NON-INTEREST INCOME | | 205,381 | 123,918 | 239,946 | 534,911 |
| OPERATING INCOME | | 476,487 | 401,731 | 1,304,769 | 1,148,347 |
| OPERATING EXPENSES | 24 | (280,441) | (202,614) | (869,004) | (633,081) |
| Share of results of an associate | | (639) | (10,302) | 5,191 | 6,321 |
| PROFIT BEFORE LOSS ON NET MONETARY POSITION | | 195,407 | 188,815 | 440,956 | 521,591 |
| Loss on net monetary position due to inflation effect | | (98,884) | (325,707) | (260,195) | (833,391) |
| PROFIT/(LOSS) BEFORE INCOME TAXES | | 96,523 | (136,892) | 180,761 | (311,795) |
| Income tax expense/(savings) | | (33,330) | (65,456) | (74,385) | (126,861) |
| NET PROFIT/(LOSS) | | 63,193 | (202,348) | 106,376 | (438,656) |
| Attributable to: | | | | | |
| Shareholders of the parent Bank | | 63,149 | (202,290) | 106,234 | (438,656) |
| Non-controlling interest | | 44 | (58) | 142 | (1) |
| | | 63,193 | (202,348) | 106,376 | (438,656) |

Signed and authorized for release on behalf of the Management Board


Chairman of the Board
Vasili S. Matyushevski
21 November 2012
Minsk


Chief Accountant
Anatoly V. Boreiko
21 November 2012
Minsk

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

| Notes | 3 months ended 30 September 2012 (unaudited) | 3 months ended 30 September 2011 (unaudited) | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|--|---|---|---|---|
| NET PROFIT/(LOSS) | 63,193 | (202,348) | 106,376 | (438,656) |
| OTHER COMPREHENSIVE INCOME | | | | |
| Net change in fair value of office premises | - | (273,500) | - | (273,500) |
| Net change in income tax relating to office premises remeasurement | (5,068) | 37,861 | (19,452) | 847 |
| Net change in fair value of investments available for sale | 24,226 | (55,482) | 77,580 | (119,692) |
| Reclassification adjustments for gains/(losses) included in profit or loss from comprehensive income on disposal of investments available for sale | 2,379 | 1,496 | 3,832 | 1,619 |
| OTHER COMPREHENSIVE INCOME/(LOSS) | 21,537 | (289,625) | 61,960 | (390,726) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) | 84,730 | (491,973) | 168,336 | (829,382) |
| Attributable to: | | | | |
| Shareholders of the parent | 84,686 | (491,915) | 168,194 | (829,381) |
| Minority interest | 44 | (58) | 142 | (1) |
| TOTAL COMPREHENSIVE INCOME/(LOSS) | 84,730 | (491,973) | 168,336 | (829,382) |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

| | Notes | Share capital | Revaluation reserve for office premises | Deficit of investments available for sale fair value reserve | Retained earnings | Total equity attributable to shareholders of the Bank | Non-controlling interest | Total equity |
|---|-------|------------------|---|--|-------------------|---|--------------------------|------------------|
| 31 December 2010 | | 2,065,320 | 382,145 | 3,031 | 155,247 | 2,605,743 | 208 | 2,605,951 |
| Total comprehensive loss for the 9 months ended 30 September 2011 | | | (272,653) | (118,073) | (438,655) | (829,381) | (1) | (829,382) |
| Amortisation of revaluation reserve for premises, net of tax | | | (5,311) | | 5,311 | | | |
| Disposal of office premises | | | (4,253) | | 4,253 | | | |
| Dividends paid | 17 | | | | (8,046) | (8,046) | | (8,046) |
| 30 September 2011 (unaudited) | | 2,065,320 | 99,928 | (115,042) | (281,890) | 1,768,316 | 207 | 1,768,521 |
| 31 December 2011 | | 2,065,320 | 348,184 | (78,150) | 54,957 | 2,390,311 | 195 | 2,390,506 |
| Total comprehensive income for the 9 months ended 30 September 2012 | | | (19,452) | 81,412 | 106,234 | 168,194 | 142 | 168,336 |
| Amortisation of revaluation reserve for premises, net of tax | | | (6,720) | | 6,720 | | | |
| Dividends paid | 17 | | | | (11,526) | (11,526) | | (11,526) |
| 30 September 2012 (unaudited) | | 2,065,320 | 322,012 | 3,262 | 156,385 | 2,546,979 | 337 | 2,547,316 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

| | Notes | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|--|-------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Interest income | | 2,778,179 | 1,800,255 |
| Interest expense | | (1,663,996) | (927,598) |
| Fee and commission income | | 585,077 | 549,966 |
| Fee and commission expense | | (143,052) | (164,913) |
| Net gain on foreign exchange operations | | 164,910 | 82,049 |
| Net gain on derivative financial instruments | | 127,079 | 107,925 |
| Net gain on disposal of investments available for sale | | (3,832) | (1,619) |
| Net gain on precious metals | | 21,172 | 20,683 |
| Other income | | 25,174 | 16,841 |
| Operating expenses | | (798,593) | (561,759) |
| Income taxes paid | | (151,906) | (87,069) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 940,212 | 834,761 |
| Changes in operating assets and liabilities | | | |
| (Increase)/decrease in operating assets: | | | |
| Minimum reserve deposit with the National Bank of the Republic of Belarus | | (92,776) | (35,138) |
| Due from banks | | (46,992) | 221,798 |
| Loans to corporate customers | | (4,643,118) | (1,429,205) |
| Loans to individuals | | 297,664 | 23,996 |
| Other assets | | (64,979) | (13,457) |
| Increase/(decrease) in operating liabilities: | | | |
| Loans from the National Bank of the Republic of Belarus | | (16,472) | (7,518) |
| Due to banks | | (1,431,009) | 1,420,658 |
| Due to individuals | | 1,713,381 | 127,848 |
| Due to corporate customers | | 2,403,822 | 141,505 |
| Debt securities issued | | 379,652 | 375,268 |
| Other liabilities | | 17,464 | (20,958) |
| Net cash (outflow)/inflow from operating activities | | (543,151) | 1,639,558 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012 (CONTINUED)**

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

| | Notes | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|--|-------|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of premises, equipment and intangible assets | | (100,027) | (52,350) |
| Proceeds on sale of premises and equipment | | 173 | 8,290 |
| Proceeds on sale of non-current assets held for sale | | 3,094 | 860 |
| Purchase of investments available for sale | | (152,968) | (111,297) |
| Proceeds on repayment of investments available for sale | | 50,577 | 18,716 |
| Purchase of investments held to maturity | | (119,343) | (4,857) |
| Proceeds on repayment of investments held to maturity | | - | 14,410 |
| Proceeds on disposal of subsidiary | | - | 4,186 |
| Net cash outflow from investing activities | | (318,494) | (122,042) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Dividends paid | | (10,888) | (7,416) |
| Net cash outflow from financing activities | | (10,888) | (7,416) |
| Effect of changes in foreign exchange rates on cash and cash equivalents | | 25,065 | 273,712 |
| Inflation effect on monetary assets and liabilities | | (736,115) | (1,502,536) |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (872,533) | 1,510,100 |
| CASH AND CASH EQUIVALENTS, beginning of the period | 3 | 5,191,262 | 3,038,798 |
| CASH AND CASH EQUIVALENTS, end of the period | 3 | 3,607,679 | 3,320,074 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

1. ORGANISATION

Open Joint-Stock Company “BPS-Sberbank” (previous name – “BPS-Bank”), or BPS-Sberbank (the “Bank”), was established from the Belarusian branch of Promstroibank USSR and registered with the National Bank of the Republic of Belarus (the “National Bank”) as a closed joint-stock company on 28 December 1991. On 17 February 1993 the Bank was reorganized into an open joint stock company and accordingly registered by the National Bank. The Bank conducts its business under Common License for performing banking operations # 4 issued on 10 October 2011. The Bank accepts deposits from the public, issues loans and transfers payments in the Republic of Belarus and abroad, exchanges currencies and provides other banking services to its commercial and retail customers, including cash collection and operations with precious metals.

The registered office of the Bank is located at 6 Mulyavin Boulevard, 220005, Minsk, Republic of Belarus. As at 30 September 2012 the Bank had 6 regional establishments and 36 outlets, as well as representative office in the Republic of Poland, Warsaw.

The average number of employees of the Bank during 9 months ended 30 September 2012, and 9 months ended 30 September 2011, was 4,546 and 4,371 persons, respectively.

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

| Name | Country of operation | Proportion of ownership interest/ voting rights, % | | Type of operation |
|---|----------------------|---|------------------|--------------------------|
| | | 30 September 2012 | 31 December 2011 | |
| Closed Joint Stock Company “BPS-Leasing” | Republic of Belarus | 50.0 | 50.0 | Finance lease activities |
| Limited Liability Company “Narochanskaya Niva 2004” | Republic of Belarus | 98.7 | 98.7 | Agriculture |
| Closed Joint Stock Insurance Company “TASK” | Republic of Belarus | 25.6 | 25.6 | Insurance services |
| Closed Joint Stock Company “SB-Global” | Republic of Belarus | 99.9 | 99.9 | Advisory activity |

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

| Shareholder | 30 September 2012, % | 31 December 2011, % |
|--------------|----------------------|---------------------|
| Sberbank | 97.91 | 97.91 |
| Other | 2.09 | 2.09 |
| Total | 100.00 | 100.00 |

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

These interim condensed consolidated financial statements were authorized for issue by the Management Board on 21 November 2012.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

2. BASIS OF PRESENTATION

General

These interim condensed consolidated statements of JSC “BPS-Sberbank” (the “Bank”) and its subsidiaries (“the Group”) as at 30 September 2012 were prepared in accordance with the requirements of International Financial Reporting Standard IAS 34 Interim Financial Reporting (“IAS 34”).

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements as at 31 December 2011.

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

| | 30 September 2012 | 31 December 2011 |
|---------|--------------------------|-------------------------|
| BYR/USD | 8,500.00 | 8,350.00 |
| BYR/EUR | 10,990.00 | 10,800.00 |
| BYR/RUR | 275.00 | 261.00 |

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

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2011, except for the changes introduced due to implementation of new and/or revised standards and interpretations starting from 1 January 2012, noted below.

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

Accounting for the effects of hyperinflation

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

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

| Year | Index, % | Conversion factors |
|---------------|-----------------|---------------------------|
| 2006 | 106.46 | 371.39 |
| 2007 | 111.97 | 331.69 |
| 2008 | 113.45 | 292.37 |
| 2009 | 109.85 | 266.15 |
| 2010 | 110.03 | 241.89 |
| 9 months 2011 | 174.40 | 138.70 |
| 2011 | 208.67 | 115.92 |
| 9 months 2012 | 115.92 | 100.00 |

Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current as of 30 September 2012. Non-monetary assets and liabilities (items which are not already expressed in terms of the monetary unit current as of 30 September 2012) are restated by applying the relevant index. The effect of inflation on the Group’s net monetary position is included in the interim condensed consolidated income statement as loss on net monetary position.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

2. BASIS OF PRESENTATION (CONTINUED)

The application of IAS 29 results in an adjustment for the loss of purchasing power of the Belarusian Rouble recorded in profit or loss. In a period of inflation, an entity holding an excess of monetary assets over monetary liabilities loses purchasing power, which results in a loss on the net monetary position. This loss/gain is derived as the difference resulting from the restatement of non-monetary assets and liabilities, equity and items in the interim condensed consolidated statement of comprehensive income. Corresponding figures for the 9 months ended 30 September 2011 have also been restated so that they are presented in terms of the purchasing power of the Belarusian Rouble as of 30 September 2012. Income and expense items of the interim condensed consolidated income statement for the 9 months, ended 30 September 2012, and 9 months, ended 30 September 2011, were restated on a quarterly basis with the use of average indexes for each quarter.

Functional and presentation currency

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

Changes in accounting policies

The Group has adopted the following amended IFRS and new IFRIC Interpretations during 9 months 2012. The principal effects of these changes are as follows:

Amendments to IFRS 7 “Financial Instruments: Disclosures”

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

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

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

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

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

3. CASH AND CASH EQUIVALENTS

| | 30 September 2012 (unaudited) | 31 December 2011 |
|--|--|-----------------------------|
| Cash | 1,560,900 | 1,086,754 |
| Current accounts with the National Bank | 1,543,089 | 2,565,608 |
| Correspondent accounts and placements with other banks with original maturities up to 30 days: | | |
| - Belarus | 197,027 | 551,994 |
| - Other countries | 306,663 | 829,971 |
| Reverse-repo agreements with original maturities up to 30 days | - | 156,935 |
| Total cash and cash equivalents | 3,607,679 | 5,191,262 |

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

| | Investment rating | Speculative rating | Not rated | Total |
|--|------------------------------|-------------------------------|------------------|----------------|
| Correspondent accounts and placements with other banks with original maturities up to 30 days: | | | | |
| - Belarus | - | 182,565 | 14,462 | 197,027 |
| - Other countries | 299,444 | 7,219 | - | 306,663 |
| Total correspondent accounts and placements with other banks with original maturities up to 30 days | 299,444 | 189,784 | 14,462 | 503,690 |

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

| | Investment rating | Speculative rating | Not rated | Total |
|--|------------------------------|-------------------------------|------------------|------------------|
| Correspondent accounts and placements with other banks with original maturities up to 30 days: | | | | |
| - Belarus | - | 551,718 | 276 | 551,994 |
| - Other countries | 816,048 | 1,803 | 12,120 | 829,971 |
| Reverse-repo agreements with original maturities up to 30 days | - | 156,935 | - | 156,935 |
| Total correspondent accounts and placements with other banks with original maturities up to 30 days | 816,048 | 710,456 | 12,396 | 1,538,900 |

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

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

4. DUE FROM BANKS

Due from banks comprise:

| | 30 September 2012 (unaudited) | 31 December 2011 |
|-----------------------------------|--|-----------------------------|
| Time deposits and loans to banks: | | |
| - Belarus | 160,890 | 157,343 |
| Total due from banks | 160,890 | 157,343 |

Time deposits and loans to banks mostly represent balances with the largest and well-known foreign banks, top rated Belarus banks.

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

| | Speculative rating | Not rated | Total |
|---|-------------------------------|------------------|----------------|
| Time deposits and loans to banks: | | | |
| - Belarus | 105,890 | 55,000 | 160,890 |
| Total time deposits and loans to banks | 105,890 | 55,000 | 160,890 |

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

| | Speculative rating | Not rated | Total |
|---|-------------------------------|------------------|----------------|
| Time deposits and loans to banks: | | | |
| - Belarus | 128,110 | 29,233 | 157,343 |
| Total time deposits and loans to banks | 128,110 | 29,233 | 157,343 |

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

As at 30 September 2012 and 31 December 2011 included in due from banks were fixed amounts of BYR 934 million and BYR 1,063 million, respectively, placed as guarantee deposits on letters of credit, operations with plastic cards and travel checks, and settlements with international payment systems.

As at 30 September 2012 and 31 December 2011 included in due from banks are long-term loans issued to JSC "Belarusbank" and JSC "Belagroprombank" under the Government's program on financing for acquisition of agricultural equipment for the total amount of BYR 105,890 million and BYR 96,540 million, respectively, with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National Bank.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

5. DERIVATIVE FINANCIAL INSTRUMENTS

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

| Derivative type | Nominal amount (in units of currency/ grams of gold to be purchased) | Fair Value as at 30 September 2012 (unaudited) | |
|---|---|--|--------------|
| | | Asset | Liability |
| EUR/BYR foreign currency swap | EUR 340,709,341 | 2,328,599 | - |
| XAU/BYR precious metals swap | XAU 7,515,014 | 2,583,745 | - |
| USD/BYR foreign currency swap | USD 103,640,657 | 530,537 | - |
| RUR/EUR foreign currency swap | RUR 225,786,229 | 61 | 2,207 |
| XPT/EUR precious metals swap | XPT 97,976 | 4,864 | - |
| USD/EUR foreign currency swap | USD 492,000 | - | 214 |
| EUR/USD foreign currency swap | EUR 1,900,000 | 1,005 | - |
| Total derivative financial instruments | | 5,448,811 | 2,421 |

| Derivative type | Nominal amount (in units of currency/ grams of gold to be purchased) | Fair Value as at 31 December 2011 | |
|---|---|--------------------------------------|-----------|
| | | Asset | Liability |
| EUR/BYR foreign currency swap | EUR 340,709,341 | 2,727,005 | - |
| XAU/BYR precious metals swap | XAU 7,515,014 | 2,581,104 | - |
| USD/BYR foreign currency swap | USD 122,862,517 | 731,427 | - |
| Total derivative financial instruments | | 6,039,536 | - |

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

6. LOANS TO CUSTOMERS

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

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

| 30 September 2012 (unaudited) | Not past due loans | Past due loans | Total |
|--|-------------------------------|-----------------------|-------------------|
| Commercial loans to legal entities | 9,620,018 | 171,639 | 9,791,657 |
| Specialized loans to legal entities | 7,207,316 | 430,072 | 7,637,388 |
| Consumer and other loans to individuals | 361,333 | 8,645 | 369,978 |
| Mortgage loans to individuals | 372,055 | 8,452 | 380,507 |
| Car loans to individuals | 12,599 | 659 | 13,258 |
| Total loans to customers before allowance for loan impairment | 17,573,321 | 619,467 | 18,192,788 |
| Less: Allowance for loan impairment | (567,303) | (108,490) | (675,793) |
| Total loans to customers net of allowance for loan impairment | 17,006,018 | 510,977 | 17,516,995 |
| | Not past due loans | Past due loans | Total |
| 31 December 2011 | | | |
| Commercial loans to legal entities | 7,870,868 | 261,512 | 8,132,380 |
| Specialized loans to legal entities | 5,810,495 | 605,124 | 6,415,619 |
| Consumer and other loans to individuals | 677,087 | 12,060 | 689,147 |
| Mortgage loans to individuals | 520,797 | 12,586 | 533,383 |
| Car loans to individuals | 22,681 | 1,032 | 23,713 |
| Total loans to customers before allowance for loan impairment | 14,901,928 | 892,314 | 15,794,242 |
| Less: Allowance for loan impairment | (545,420) | (137,353) | (682,773) |
| Total loans to customers net of allowance for loan impairment | 14,356,508 | 754,961 | 15,111,469 |

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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

6. LOANS TO CUSTOMERS (CONTINUED)

The table below shows the analysis of loans and provisions for loan impairment as at 30 September 2012:

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|--|--------------------|--|-------------------|---|
| Commercial loans to legal entities | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 8,970,065 | (159,806) | 8,810,259 | 1.8% |
| Loans up to 30 days overdue | 29,946 | (515) | 29,431 | 1.7% |
| Loans 31 to 60 days overdue | 12,269 | (209) | 12,060 | 1.7% |
| Loans 61 to 90 days overdue | 2,220 | (39) | 2,181 | 1.8% |
| Loans 91 up to 180 days overdue | 9,863 | (177) | 9,686 | 1.8% |
| Loans over 180 days overdue | 59,986 | (8,716) | 51,270 | 14.5% |
| Total collectively assessed loans | 9,084,349 | (169,462) | 8,914,887 | 1.9% |
| <i>Individually impaired</i> | | | | |
| Not past due | 649,953 | (44,247) | 605,706 | 6.8% |
| Loans up to 30 days overdue | 15,124 | (3,459) | 11,665 | 22.9% |
| 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 | 42,231 | (23,219) | 19,012 | 55.0% |
| Total individually impaired loans | 707,308 | (70,925) | 636,383 | 10.0% |
| Total commercial loans to legal entities | 9,791,657 | (240,387) | 9,551,270 | 2.5% |
| Specialized loans to legal entities | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 6,123,609 | (126,812) | 5,996,797 | 2.1% |
| Loans up to 30 days overdue | 35,063 | (602) | 34,461 | 1.7% |
| Loans 31 to 60 days overdue | 4,436 | (77) | 4,359 | 1.7% |
| Loans 61 to 90 days overdue | 2,904 | (50) | 2,854 | 1.7% |
| Loans 91 up to 180 days overdue | 4,435 | (82) | 4,353 | 1.8% |
| Loans over 180 days overdue | 14,914 | (1,905) | 13,009 | 12.8% |
| Total collectively assessed loans | 6,185,361 | (129,528) | 6,055,833 | 2.1% |
| <i>Individually impaired</i> | | | | |
| Not past due | 1,083,707 | (202,098) | 881,609 | 18.6% |
| Loans up to 30 days overdue | 268,317 | (41,362) | 226,955 | 15.4% |
| Loans 31 to 60 days overdue | - | - | - | 0.0% |
| Loans 61 to 90 days overdue | - | - | - | 0.0% |
| Loans 91 up to 180 days overdue | 7,346 | (555) | 6,791 | 7.6% |
| Loans over 180 days overdue | 92,657 | (25,003) | 67,654 | 27.0% |
| Total individually impaired loans | 1,452,027 | (269,018) | 1,183,009 | 18.5% |
| Total specialized loans to legal entities | 7,637,388 | (398,546) | 7,238,842 | 5.2% |
| Total loans to legal entities | 17,429,045 | (638,933) | 16,790,112 | 3.7% |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

6. LOANS TO CUSTOMERS (CONTINUED)

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|--|-------------------|-------------------------------------|-------------------|--|
| Consumer and other loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 361,333 | (13,316) | 348,017 | 3.7% |
| Loans up to 30 days overdue | 4,931 | (281) | 4,650 | 5.7% |
| Loans 31 to 60 days overdue | 1,620 | (153) | 1,467 | 9.4% |
| Loans 61 to 90 days overdue | 465 | (107) | 358 | 23.0% |
| Loans 91 up to 180 days overdue | 1,198 | (387) | 811 | 32.3% |
| Loans over 180 days overdue | 431 | (431) | - | 100.0% |
| Total consumer and other loans to individuals | 369,978 | (14,675) | 355,303 | 4.0% |
| Mortgage loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 372,055 | (19,100) | 352,955 | 5.1% |
| Loans up to 30 days overdue | 5,331 | (309) | 5,022 | 5.8% |
| Loans 31 to 60 days overdue | 1,824 | (125) | 1,699 | 6.9% |
| Loans 61 to 90 days overdue | 408 | (51) | 357 | 12.5% |
| Loans 91 up to 180 days overdue | 698 | (213) | 485 | 30.5% |
| Loans over 180 days overdue | 191 | (191) | - | 100.0% |
| Total mortgage loans to individuals | 380,507 | (19,989) | 360,518 | 5.3% |
| Car loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 12,599 | (1,924) | 10,675 | 15.3% |
| Loans up to 30 days overdue | 318 | (65) | 253 | 20.4% |
| Loans 31 to 60 days overdue | 167 | (40) | 127 | 24.0% |
| Loans 61 to 90 days overdue | - | - | - | 0.0% |
| Loans 91 up to 180 days overdue | 116 | (109) | 7 | 94.0% |
| Loans over 180 days overdue | 58 | (58) | - | 100.0% |
| Total car loans to individuals | 13,258 | (2,196) | 11,062 | 16.6% |
| Total loans to individuals | 763,743 | (36,860) | 726,883 | 4.8% |
| Total loans and advances to customers as at 30 September 2012 (unaudited) | 18,192,788 | (675,793) | 17,516,995 | 3.7% |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

6. LOANS TO CUSTOMERS (CONTINUED)

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

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|--|--------------------|--|-------------------|---|
| Commercial loans to legal entities | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 6,298,336 | (134,852) | 6,163,484 | 2.1% |
| Loans up to 30 days overdue | 15,530 | (27) | 15,503 | 0.2% |
| Loans 31 to 60 days overdue | 11,351 | (70) | 11,281 | 0.6% |
| Loans 61 to 90 days overdue | 4,738 | (51) | 4,687 | 1.1% |
| Loans 91 up to 180 days overdue | 31,584 | (418) | 31,166 | 1.3% |
| Loans over 180 days overdue | 5,586 | (1,160) | 4,426 | 20.8% |
| Total collectively assessed loans | 6,367,125 | (136,578) | 6,230,547 | 2.1% |
| <i>Individually impaired</i> | | | | |
| Not past due | 1,572,532 | (91,838) | 1,480,694 | 5.8% |
| Loans up to 30 days overdue | 22,571 | (6,253) | 16,318 | 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 | 170,152 | (33,129) | 137,023 | 19.5% |
| Total individually impaired loans | 1,765,255 | (131,220) | 1,634,035 | 7.4% |
| Total commercial loans to legal entities | 8,132,380 | (267,798) | 7,864,582 | 3.3% |
| Specialized loans to legal entities | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 4,094,862 | (95,219) | 3,999,643 | 2.3% |
| Loans up to 30 days overdue | 2,557 | (2) | 2,555 | 0.1% |
| Loans 31 to 60 days overdue | 12,350 | (14) | 12,336 | 0.1% |
| Loans 61 to 90 days overdue | 3,696 | (3) | 3,693 | 0.1% |
| Loans 91 up to 180 days overdue | 9,268 | (422) | 8,846 | 4.6% |
| Loans over 180 days overdue | 8,677 | (992) | 7,685 | 11.4% |
| Total collectively assessed loans | 4,131,410 | (96,652) | 4,034,758 | 2.3% |
| <i>Individually impaired</i> | | | | |
| Not past due | 1,715,633 | (179,933) | 1,535,700 | 10.5% |
| Loans up to 30 days overdue | 421,797 | (60,117) | 361,680 | 14.3% |
| Loans 31 to 60 days overdue | 138,498 | (21,794) | 116,704 | 15.7% |
| Loans 61 to 90 days overdue | - | - | - | 0.0% |
| Loans 91 up to 180 days overdue | - | - | - | 0.0% |
| Loans over 180 days overdue | 8,281 | (8,230) | 51 | 99.4% |
| Total individually impaired loans | 2,284,209 | (270,074) | 2,014,135 | 11.8% |
| Total specialized loans to legal entities | 6,415,619 | (366,726) | 6,048,893 | 5.7% |
| Total loans to legal entities | 14,547,999 | (634,524) | 13,913,475 | 4.4% |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

6. LOANS TO CUSTOMERS (CONTINUED)

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|---|-------------------|-------------------------------------|-------------------|--|
| Consumer and other loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 677,087 | (20,922) | 656,165 | 3.1% |
| Loans up to 30 days overdue | 4,109 | (211) | 3,898 | 5.1% |
| Loans 31 to 60 days overdue | 2,409 | (224) | 2,185 | 9.3% |
| Loans 61 to 90 days overdue | 1,872 | (205) | 1,667 | 11.0% |
| Loans 91 up to 180 days overdue | 2,602 | (722) | 1,880 | 27.7% |
| Loans over 180 days overdue | 1,068 | (1,068) | - | 100.0% |
| Total consumer and other loans to individuals | 689,147 | (23,352) | 665,795 | 3.4% |
| Mortgage loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 520,797 | (21,887) | 498,910 | 4.2% |
| Loans up to 30 days overdue | 4,623 | (236) | 4,387 | 5.1% |
| Loans 31 to 60 days overdue | 3,125 | (187) | 2,938 | 6.0% |
| Loans 61 to 90 days overdue | 1,444 | (111) | 1,333 | 7.7% |
| Loans 91 up to 180 days overdue | 2,236 | (316) | 1,920 | 14.1% |
| Loans over 180 days overdue | 1,158 | (1,158) | - | 100.0% |
| Total mortgage loans to individuals | 533,383 | (23,895) | 509,488 | 4.5% |
| Car loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 22,681 | (769) | 21,912 | 3.4% |
| Loans up to 30 days overdue | 514 | (29) | 485 | 5.6% |
| Loans 31 to 60 days overdue | 46 | (8) | 38 | 17.4% |
| Loans 61 to 90 days overdue | 144 | (12) | 132 | 8.3% |
| Loans 91 up to 180 days overdue | 219 | (75) | 144 | 34.2% |
| Loans over 180 days overdue | 109 | (109) | - | 100.0% |
| Total car loans to individuals | 23,713 | (1,002) | 22,711 | 4.2% |
| Total loans to individuals | 1,246,243 | (48,249) | 1,197,994 | 3.9% |
| Total loans and advances to customers as at 31 December 2011 | 15,794,242 | (682,773) | 15,111,469 | 4.3% |

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

6. LOANS TO CUSTOMERS (CONTINUED)

As at 30 September 2012 the outstanding non-performing loans were as follows:

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|--|--------------------|--|------------------|---|
| Commercial loans to legal entities | 112,080 | (32,112) | 79,968 | 28.7% |
| Specialised loans to legal entities | 119,352 | (27,545) | 91,807 | 23.1% |
| Consumer and other loans to individuals | 1,629 | (818) | 811 | 50.2% |
| Mortgage loans to individuals | 889 | (404) | 485 | 45.4% |
| Car loans to individuals | 174 | (167) | 7 | 96.0% |
| Total non-performing loans to customers as at 30 September 2012 (unaudited) | 234,124 | (61,046) | 173,078 | 26.1% |

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 | 207,322 | (34,707) | 172,615 | 16.7% |
| Specialised loans to legal entities | 26,226 | (9,644) | 16,582 | 36.8% |
| Consumer and other loans to individuals | 3,670 | (1,790) | 1,880 | 48.8% |
| Mortgage loans to individuals | 3,394 | (1,474) | 1,920 | 43.4% |
| Car loans to individuals | 328 | (184) | 144 | 56.1% |
| Total non-performing loans to customers as at 31 December 2011 | 240,940 | (47,799) | 193,141 | 19.8% |

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

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

| | Commercial loans to legal entities | Specialised loans to legal entities | Total |
|--|---|--|--------------|
| Not past due collectively assessed loans | - | 2,359 | 2,359 |
| Other renegotiated loans | 370 | - | 370 |
| Total renegotiated loans before allowance for loan impairment as at 30 September 2012 (unaudited) | 370 | 2,359 | 2,729 |
| | Commercial loans to legal entities | Specialised loans to legal entities | Total |
| Not past due collectively assessed loans | 2,782 | 4,378 | 7,160 |
| Other renegotiated loans | - | 568 | 568 |
| Total renegotiated loans before allowance for loan impairment as at 31 December 2011 | 2,782 | 4,946 | 7,728 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

6. LOANS TO CUSTOMERS (CONTINUED)

Included in commercial loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 30 September 2012 and 31 December 2011 is as follows:

| | 30 September 2012 (unaudited) | 31 December 2011 |
|--|--|-------------------------|
| Gross investment in finance lease | 291,696 | 231,648 |
| Unearned future finance income on finance lease | (86,797) | (69,383) |
| Net investment in finance lease before provision for impairment | 204,899 | 162,265 |
| Less provision for impairment | (20,048) | (17,861) |
| Net investment in finance lease after provision for impairment | 184,851 | 144,404 |

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

| | Net investment in finance lease before allowance for impairment | Allowance for loan impairment | Net investment in finance lease after allowance for impairment |
|--|--|--|---|
| Not later than 1 year | 85,728 | (8,388) | 77,340 |
| Later than 1 year but not later than 5 years | 118,069 | (11,552) | 106,517 |
| Later than 5 years | 1,102 | (108) | 994 |
| Total as at 30 September 2012 (unaudited) | 204,899 | (20,048) | 184,851 |

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 | 70,732 | (7,785) | 62,947 |
| Later than 1 year but not later than 5 years | 87,818 | (9,667) | 78,151 |
| Later than 5 years | 3,715 | (409) | 3,306 |
| Total as at 31 December 2011 | 162,265 | (17,861) | 144,404 |

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

| | 30 September 2012 (unaudited) | 31 December 2011 |
|--|--|-------------------------|
| Not later than 1 year | 126,113 | 101,193 |
| Later than 1 year but not later than 5 years | 164,438 | 123,064 |
| Later than 5 years | 1,145 | 7,391 |
| Total | 291,696 | 231,648 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

6. LOANS TO CUSTOMERS (CONTINUED)

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

| | 30 September 2012 (unaudited) | | 31 December 2011 | |
|--|----------------------------------|--------------|-------------------|--------------|
| | Amount | % | Amount | % |
| Machinery and equipment | 3,457,396 | 19.0 | 3,230,137 | 20.5 |
| Trade and catering | 2,306,108 | 12.8 | 1,074,622 | 6.8 |
| Chemical and oil refinery industry | 1,622,168 | 8.9 | 1,989,227 | 12.6 |
| Financial services | 1,516,750 | 8.3 | 725,724 | 4.6 |
| Timber and woodworking industry | 1,344,581 | 7.4 | 1,030,151 | 6.5 |
| Construction | 1,319,260 | 7.3 | 1,319,404 | 8.4 |
| Food | 1,240,189 | 6.8 | 409,333 | 2.6 |
| Transport and communication | 1,021,987 | 5.6 | 881,519 | 5.6 |
| Energy and fuel | 1,007,531 | 5.5 | 1,105,784 | 7.0 |
| Individuals | 763,743 | 4.2 | 1,246,243 | 7.9 |
| Building materials | 727,925 | 4.0 | 921,958 | 5.8 |
| Light industry | 589,960 | 3.2 | 394,046 | 2.5 |
| Mining | 440,062 | 2.4 | 664,335 | 4.2 |
| Metallurgy | 367,708 | 2.0 | 447,229 | 2.8 |
| Agriculture | 202,804 | 1.1 | 257,974 | 1.6 |
| Other | 264,616 | 1.5 | 96,556 | 0.6 |
| Total loans to customers before allowance for loan impairment | 18,192,788 | 100.0 | 15,794,242 | 100.0 |

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

| | 30 September 2012 (unaudited) | 31 December 2011 |
|--|-------------------------------------|---------------------|
| Loans collateralized by lien over receivables | 3,447,038 | 3,703,142 |
| Loans collateralized by equipment and rights thereon | 3,712,790 | 3,019,139 |
| Loans collateralized by real estate or rights thereon | 3,266,973 | 2,086,458 |
| Loans collateralized by inventories | 2,512,987 | 1,916,540 |
| Loans collateralized by guarantees of the Government and local authorities | 2,423,545 | 2,237,106 |
| Loans collateralized by guarantees of enterprises | 951,064 | 1,130,973 |
| Loans collateralized by guarantees of individuals | 643,550 | 1,078,626 |
| Loans collateralized by cash or guarantee deposits | 508,331 | 297,502 |
| Loans collateralized by other types of collateral | 726,510 | 324,756 |
| | 18,192,788 | 15,794,242 |
| Less allowance for loan impairment | (675,793) | (682,773) |
| Total loans to customers | 17,516,995 | 15,111,469 |

As at 30 September 2012 the aggregated loan amount of 20 largest borrowers was BYR 6,468,204 million or 35.6% of the total gross loan portfolio of the Group (31 December 2011: BYR 6,771,451 million or 42.8%).

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

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

7. NON-CURRENT ASSETS HELD FOR SALE

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

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

8. INVESTMENTS AVAILABLE FOR SALE

Investments available for sale comprise:

| | Interest to nominal, % | 30 September 2012 (unaudited) | Interest to nominal, % | 31 December 2011 |
|---|---------------------------|-------------------------------------|---------------------------|---------------------|
| Republic of Belarus Eurobonds | 8.7%-8.75% | 377,330 | 8.7%-8.75% | 386,650 |
| Long-term government bonds | 10.0% | 187,926 | 10.0% | 165,928 |
| Bonds of Belarusian companies | 8.13%-35.0% | 104,338 | 7%-49.0% | 93,513 |
| Shares | | 14,550 | | 14,163 |
| Bonds issued by municipalities | 30.0% | 11,214 | 45.0% | 11,906 |
| Total investments available for sale | | 695,358 | | 672,160 |

9. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

| | Currency | Maturity date | Interest to nominal | 30 September 2012 (unaudited) |
|---|----------|----------------|------------------------|--|
| Republic of Belarus Eurobonds | USD | August 2015 | 8.75% | 121,003 |
| Coupon long-term government bonds | BYR | September 2014 | 2.0% | 25,600 |
| Bonds issued by municipalities | BYR | July 2020 | 30.0% | 10,614 |
| Bonds of Belarusian companies | BYR | August 2013 | 34.0% | 1,524 |
| Total investments held to maturity | | | | 158,741 |

| | Currency | Maturity date | Interest to nominal | 31 December 2011 |
|---|----------|----------------|------------------------|---------------------|
| Coupon long-term government bonds | BYR | September 2014 | 2.0% | 27,769 |
| Bonds issued by municipalities | BYR | July 2020 | 45.0% | 12,304 |
| Bonds of Belarusian companies | BYR | August 2013 | 49.0% | 1,787 |
| Total investments held to maturity | | | | 41,860 |

10. PREMISES AND EQUIPMENT AND INTANGIBLE ASSETS

For the 9 months ended 30 September 2012 the Group's premises, equipment, and intangible assets additions amounted to BYR 125,129 million (in 2011 - BYR 45,576 million), disposals of premises, equipment, and intangible assets amounted to BYR 475 million (in 2011 - BYR 15,175 million).

As at 30 September 2012 included in computer equipment are fully depreciated items in the amount of BYR 100,273 million (31 December 2011: BYR 71,350 million), in vehicles in the amount of BYR 18,660 million (31 December 2011: BYR 21,809 million) and in furniture and other assets in the amount of BYR 119,930 million (31 December 2011: BYR 109,413 million).

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

11. OTHER ASSETS

Other assets comprise:

| | 30 September 2012 (unaudited) | 31 December 2011 |
|---|--|-------------------------|
| Other financial assets: | | |
| Settlement accounts on other banking services | 131,286 | 81,633 |
| Accrued income | 3,515 | 3,428 |
| Compensation payments from participation in government program on supporting national producers of consumer goods | 1,342 | 3,982 |
| Other | 3 | 7 |
| | 136,146 | 89,050 |
| Other non-financial assets: | | |
| Taxes recoverable and prepaid, other than income taxes | 28,653 | 15,014 |
| Prepaid expenses | 22,243 | 17,245 |
| Precious metals | 19,636 | 29,376 |
| Inventory | 17,988 | 8,471 |
| Prepayments for assets to be transferred into finance lease | 2,945 | 4,956 |
| Prepayments for equipment and intangible assets | 10,165 | 23,360 |
| Other advances and prepayments | 13,376 | 11,430 |
| | 115,006 | 109,852 |
| Total other assets | 251,152 | 198,902 |

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

As at 30 September 2012 and 31 December 2011 the amounts due to the National Bank of the Republic of Belarus included long-term loans from the National Bank of the Republic of Belarus totaling BYR 294,689 million and BYR 350,371 million, respectively, granted in USD for further financing of two borrowers (Note 6). Contractually the Bank bears all credit risk and earns 0.2% - 1.5% interest margin on these agreements.

13. DUE TO BANKS

Due to banks comprise:

| | 30 September 2012 (unaudited) | 31 December 2011 |
|---------------------------------|--|-------------------------|
| Loans from banks | 3,714,089 | 6,219,439 |
| Term deposit in precious metals | 3,651,673 | 3,589,693 |
| Correspondent accounts of banks | 426,987 | 165,582 |
| Total due to banks | 7,792,749 | 9,974,714 |

As at 30 September 2012 a balance of due to banks amounting to BYR 5,624,779 million was due to two counterparties, including BYR 5,144,167 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

At 31 December 2011 a balance of due to banks amounting to BYR 8,651,002 million was due to four counterparties, including BYR 7,533,050 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

14. DUE TO INDIVIDUALS AND DUE TO CORPORATE CUSTOMERS

Due to individuals and corporate customers comprise:

| | 30 September 2012 (unaudited) | 31 December 2011 |
|---|--|-------------------------|
| Individuals: | | |
| - Current/demand accounts | 1,706,919 | 1,180,326 |
| - Term deposits | 5,608,983 | 5,147,409 |
| Total due to individuals | 7,315,902 | 6,327,735 |
| State and public organisations: | | |
| - Current/settlement accounts | 103,506 | 71,765 |
| - Term deposits | 372,318 | 277,582 |
| Total due to state and public organisations | 475,824 | 349,347 |
| Other corporate customers: | | |
| - Current/settlement accounts | 3,124,420 | 2,845,992 |
| - Term deposits | 5,283,401 | 4,125,971 |
| Total due to other corporate customers | 8,407,821 | 6,971,963 |
| Total due to corporate customers | 8,883,645 | 7,321,310 |
| Total due to individuals and corporate customers | 16,199,547 | 13,649,045 |

As at 30 September 2012 included in due to corporate customers are deposits of BYR 666,010 million (31 December 2011: BYR 609,020 million) held as collateral for irrevocable commitments under import letters of credit.

As at 30 September 2012 the aggregated balances of 20 largest customers was BYR 3,786,235 million or 23.4% of total due to individuals and corporate customers (31 December 2011: BYR 3,289,623 million or 24.1%).

Industry sector concentrations within customer accounts are as follows:

| | 30 September 2012 (unaudited) | | 31 December 2011 | |
|---|--|--------------|-------------------------|--------------|
| | Amount | % | Amount | % |
| Individuals | 7,315,902 | 45.2 | 6,327,735 | 46.4 |
| Trade | 1,739,754 | 10.7 | 818,793 | 6.0 |
| Machinery and equipment | 1,458,179 | 9.0 | 1,589,190 | 11.6 |
| Insurance and other financial services | 1,052,237 | 6.5 | 622,008 | 4.6 |
| Oil refinery and chemical industry | 1,038,186 | 6.4 | 596,094 | 4.3 |
| Transport and communications | 924,000 | 5.7 | 598,085 | 4.3 |
| Construction | 715,058 | 4.4 | 542,122 | 4.0 |
| Energy | 312,032 | 1.9 | 685,997 | 5.0 |
| Education | 196,399 | 1.2 | 202,999 | 1.5 |
| Building materials industry | 145,136 | 0.9 | 119,214 | 0.9 |
| Mining | 130,853 | 0.8 | 447,086 | 3.3 |
| Woodworking and timber industry | 122,859 | 0.8 | 76,300 | 0.6 |
| State and government bodies | 115,494 | 0.7 | 80,491 | 0.6 |
| Light industry | 96,265 | 0.6 | 243,846 | 1.8 |
| Metallurgy | 75,023 | 0.5 | 72,690 | 0.5 |
| Agriculture | 74,768 | 0.5 | 16,946 | 0.1 |
| Food | 66,814 | 0.4 | 81,406 | 0.6 |
| Other | 620,588 | 3.8 | 528,043 | 3.9 |
| Total due to individuals and corporate customers | 16,199,547 | 100.0 | 13,649,045 | 100.0 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

15. DEBT SECURITIES ISSUED

Debt securities issued comprise:

| | Nominal interest rate, % | 30 September 2012 (unaudited) | Nominal interest rate, % | 31 December 2011 |
|-------------------------------------|-----------------------------|--|-----------------------------|---------------------|
| Bonds issued to legal entities | 5.0%-34.5% | 1,439,400 | 5.5%-49.5% | 1,257,051 |
| Bonds issued to individuals | 7.0%-35.0% | 140,862 | 7.0%-51.0% | 95,809 |
| Certificates of deposit | 21.0%-31.0% | 2,258 | 48.0%-59.0% | 1,321 |
| Saving certificates | 15.5%-18.0% | 2 | 15.5%-18.0% | 2 |
| Total debt securities issued | | 1,582,522 | | 1,354,183 |

Bonds issued to legal entities are interest-bearing securities issued by the Group. They are denominated in BYR, RUB USD and Euro and have maturity dates from "on demand" to March 2014 (31 December 2011: from "on demand" to March 2013). Interest rates on such bonds vary from 5.0% (for bonds in USD and EUR) to 34.5% (for bonds in BYR) p.a. (31 December 2011: from 5.5% to 49.5% p.a.).

Bonds issued to individuals are interest-bearing securities issued by the Group. They are denominated in BYR, USD and Euro and have maturity dates from "on demand" to July 2014 (31 December 2011: from "on demand" to March 2013). Interest rates on such bonds vary from 7.0% (for bonds in USD and EUR) to 35.0% (for bonds in BYR) p.a. (31 December 2011: from 7.0% to 51.0% p.a.).

Certificates of deposit and saving certificates are interest-bearing securities issued by the Group. They are denominated in BYR and have maturity dates from "on demand" to July 2013 (31 December 2011: from "on demand" to January 2012). Interest rates on such securities vary from 15.5% to 31.0% for certificates in BYR p.a. (31 December 2011: from 15.5% to 59.0% p.a.).

16. OTHER LIABILITIES

Other liabilities comprise:

| | 30 September 2012 (unaudited) | 31 December 2011 |
|--|-------------------------------------|---------------------|
| Other financial liabilities: | | |
| Settlement accounts on other banking services | 42,728 | 23,860 |
| Accrued fee payable under documentary transactions and transactions with plastic cards | 20,420 | 13,132 |
| Payables for premises and equipment | 11,932 | 50 |
| Payments due to other contractors | 9,955 | 17,164 |
| Payables for assets to be transferred into finance lease | 4,264 | 6,975 |
| | 89,299 | 61,181 |
| Other non-financial liabilities: | | |
| Unused leave and bonus accrual | 33,686 | 14,388 |
| Taxes payable, other than income taxes | 24,978 | 42,450 |
| Accrued contributions to deposits protection fund | 21,484 | 18,362 |
| Other | 1,617 | 440 |
| | 81,765 | 75,640 |
| Total other liabilities | 171,064 | 136,821 |

Movements in allowance for losses on guarantees and other commitments for the 9 months ended 30 September 2012 and for the 9 months ended 30 September 2011 are disclosed in Note 19.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

17. SHARE CAPITAL

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

| | Number of shares | | Nominal amount, BYR | | Inflation adjustment | Total, mln. BYR |
|----------------------------------|------------------|---------------|---------------------|----------|-------------------------|--------------------|
| | Preferred | Ordinary | Preferred | Ordinary | | |
| 31 December 2011 | 871,112 | 1,102,828,888 | 465 | 465 | 1,552,100 | 2,065,320 |
| 30 September 2012 (unaudited) | 871,112 | 1,102,828,888 | 465 | 465 | 1,552,100 | 2,065,320 |

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

During the 9 months, ended 30 September 2012 the Bank declared BYR 11,505 million and BYR 21 million dividends on ordinary and preference shares for the year 2011, respectively. The dividends were BYR 10 per ordinary share and BYR 24 per preference share.

During the 9 months, ended 30 September 2011 the Bank declared BYR 8,002 million and BYR 44 million dividends on ordinary and preference shares for the year 2010, respectively. The dividends were BYR 7 per ordinary share and BYR 50 per preference share.

In accordance with Belarusian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in the Bank's financial statements prepared in accordance with Belarusian GAAP. The Bank had approximately BYR 483,185 million of undistributed and unreserved earnings as at 30 September 2012 (31 December 2011: BYR 809,046 million).

18. NET INTEREST INCOME BEFORE LOAN IMPAIRMENT

The net interest income before allowance for loan impairment comprises:

| | 3 months ended 30 September 2012 (unaudited) | 3 months ended 30 September 2011 (unaudited) | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|---|---|---|---|---|
| Interest income | | | | |
| Interest on loans to corporate customers | 710,233 | 569,607 | 2,291,620 | 1,514,052 |
| Interest on investments available for sale | 53,666 | 20,483 | 140,906 | 68,109 |
| Interest on loans to individuals | 47,239 | 95,027 | 204,080 | 277,751 |
| Interest on due from banks | 13,340 | 64,870 | 154,706 | 121,528 |
| Interest on investments held to maturity | 2,026 | 3,437 | 5,976 | 7,591 |
| Compensation payments on participation in government program | 1,119 | 392 | 4,102 | 2,297 |
| Total interest income | 827,623 | 753,816 | 2,801,390 | 1,991,328 |
| Interest expense | | | | |
| Interest on due to corporate customers | 191,198 | 100,889 | 631,216 | 255,216 |
| Interest on due to individuals | 142,864 | 130,722 | 527,161 | 374,527 |
| Interest on deposits from banks | 77,970 | 93,299 | 278,653 | 230,371 |
| Interest on debt securities issued | 55,110 | 46,429 | 192,035 | 104,560 |
| Interest on deposits from National Bank | 6,115 | 11,170 | 19,504 | 25,988 |
| Total interest expense | 473,257 | 382,509 | 1,648,569 | 990,662 |
| Net interest income before allowance for loan impairment | 354,366 | 371,307 | 1,152,821 | 1,000,666 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

19. ALLOWANCE FOR LOAN IMPAIRMENT, OTHER PROVISIONS

The movements in allowance for loan impairment were as follows:

| | Commercial loans | Specialized loans | Loans to individuals | | | Total |
|--|---------------------|----------------------|-----------------------------|----------------|--------------|----------------|
| | | | Consumer and other loans | Mortgage loans | Car loans | |
| 31 December 2010 | 224,916 | 264,132 | 33,384 | 38,102 | 2,527 | 563,061 |
| Allowance charge/ (reversal of allowance) for the period | 151,291 | 229,266 | 4,775 | 2,024 | (126) | 387,230 |
| Amounts written off | - | (20,933) | - | - | - | (20,933) |
| Inflation effect | (95,951) | (112,680) | (14,242) | (16,254) | (1,078) | (240,205) |
| 30 September 2011 (unaudited) | 280,256 | 359,785 | 23,917 | 23,872 | 1,323 | 689,153 |
| 31 December 2011 | 267,798 | 366,726 | 23,352 | 23,895 | 1,002 | 682,773 |
| Allowance charge/ (reversal of allowance) for the period | 9,368 | 83,392 | (5,470) | (624) | 1,332 | 87,998 |
| Amounts written off | - | (1,209) | - | - | - | (1,209) |
| Inflation effect | (36,779) | (50,363) | (3,207) | (3,282) | (138) | (93,769) |
| 30 September 2012 (unaudited) | 240,387 | 398,546 | 14,675 | 19,989 | 2,196 | 675,793 |

The movements in provision on other transactions were as follows:

| | Guarantees and other commitments |
|--------------------------------------|--|
| 31 December 2010 | 28,076 |
| Provision | 44,023 |
| Inflation effect | (11,977) |
| 30 September 2011 (unaudited) | 60,122 |
| 31 December 2011 | 6,087 |
| Provision | (3,769) |
| Inflation effect | (836) |
| 30 September 2012 (unaudited) | 1,482 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

20. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

| | 3 months ended 30 September 2012 (unaudited) | 3 months ended 30 September 2011 (unaudited) | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|---|---|---|---|---|
| Fee and commission income | | | | |
| Salary transfer on card accounts and related cash withdrawals | 61,090 | 54,978 | 167,020 | 167,007 |
| Other operations with plastic cards | 50,235 | 33,757 | 128,338 | 104,236 |
| Settlement and cash operations with clients | 39,323 | 32,970 | 107,172 | 113,095 |
| Documentary operations | 29,060 | 27,536 | 81,725 | 75,141 |
| Foreign exchange operations | 21,212 | 23,062 | 60,749 | 56,304 |
| Cash delivery and collection | 10,720 | 7,799 | 29,530 | 21,917 |
| Settlements with banks | 1,689 | 2,103 | 6,037 | 4,257 |
| Securities operations | 439 | 583 | 1,614 | 1,746 |
| Other | 820 | 2,099 | 2,892 | 6,263 |
| Total fee and commission income | 214,588 | 184,887 | 585,077 | 549,966 |
| Fee and commission expense | | | | |
| Plastic cards operations | 29,724 | 21,635 | 72,736 | 63,699 |
| Documentary operations | 17,352 | 16,542 | 48,632 | 44,847 |
| Correspondent bank services | 2,443 | 2,185 | 6,849 | 6,036 |
| Cash delivery and collection | 2,427 | 2,183 | 6,918 | 7,223 |
| Foreign exchange and cash operations | 1,156 | 13,081 | 4,179 | 36,248 |
| Other | 871 | 1,916 | 3,738 | 6,860 |
| Total fee and commission expense | 53,973 | 57,542 | 143,052 | 164,913 |

21. NET GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

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

| | 3 months ended 30 September 2012 (unaudited) | 3 months ended 30 September 2011 (unaudited) | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|--|---|---|---|---|
| Dealing, netto | 42,016 | 14,753 | 164,910 | 82,049 |
| Forex, netto | (69,168) | 203,947 | (170,172) | (2,046,575) |
| Net gains/(losses) from operations with currency derivatives | 120,635 | (160,498) | 6,259 | 2,191,425 |
| Total net gain from operations with foreign currency | 93,483 | 58,202 | 997 | 226,899 |

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

| | 3 months ended 30 September 2012 (unaudited) | 3 months ended 30 September 2011 (unaudited) | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|--|---|---|---|---|
| Net gains from operations with physical precious metals | 17,084 | 7,823 | 21,172 | 20,683 |
| Net precious metals translations losses | (549,137) | (225,255) | (606,479) | (1,662,063) |
| Net gains from operations with precious metals derivatives | 470,861 | 209,495 | 357,120 | 1,624,262 |
| Total net loss from operations with precious metals | (61,192) | (7,937) | (228,187) | (17,118) |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

22. NET GAINS FROM DISPOSAL OF SUBSIDIARY

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

| | 30 September 2012 | 30 September 2011 |
|---|--------------------------|--------------------------|
| | (unaudited) | (unaudited) |
| Net assets | (12,264) | (10,429) |
| Inflation effect | - | (15,853) |
| Proceeds from disposal of subsidiary | - | (192) |
| Net gains from disposal of subsidiary | - | 26,474 |
| The Group’s 50% share in net assets of the associate CJSC “BPS-Leasing” | (6,132) | |

23. OTHER INCOME

Other income comprises:

| | 3 months ended 30 September 2012 (unaudited) | 3 months ended 30 September 2011 (unaudited) | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|--|---|---|---|---|
| Proceeds from non-banking activities of subsidiaries | 3,339 | 2 | 6,961 | 2,664 |
| Repayment of loans previously written off | 2,188 | 1,335 | 11,114 | 7,882 |
| Income from operating leases | 72 | 80 | 233 | 273 |
| Other | 902 | 3,466 | 6,866 | 6,405 |
| Total other income | 6,501 | 4,883 | 25,174 | 17,224 |

24. OPERATING EXPENSES

Operating expenses comprise:

| | 3 months ended 30 September 2012 (unaudited) | 3 months ended 30 September 2011 (unaudited) | 9 months ended 30 September 2012 (unaudited) | 9 months ended 30 September 2011 (unaudited) |
|--|---|---|---|---|
| Staff costs | 99,895 | 79,657 | 362,402 | 263,416 |
| Social security contribution | 29,344 | 22,796 | 99,467 | 74,052 |
| Depreciation and amortization | 25,072 | 22,302 | 70,109 | 64,437 |
| Contributions to deposits protection fund | 21,580 | 15,008 | 62,934 | 46,313 |
| Premises and equipment maintenance | 19,882 | 9,846 | 37,909 | 22,152 |
| Expenses on maintenance of banking software | 15,560 | 10,106 | 36,485 | 27,664 |
| Security expenses | 7,604 | 4,773 | 18,847 | 16,870 |
| Operating leases | 7,037 | 2,215 | 19,910 | 7,744 |
| Taxes, other than income taxes | 6,289 | 6,724 | 18,065 | 16,784 |
| Advertising costs | 6,088 | 2,215 | 19,243 | 8,436 |
| Stationery | 5,788 | 8,083 | 17,056 | 10,875 |
| Public utilities payments | 3,929 | 3,342 | 15,650 | 12,196 |
| Other staff expenses | 3,242 | 1,563 | 7,840 | 4,128 |
| Vehicles maintenance and fuel expenses | 2,412 | 1,806 | 6,808 | 5,161 |
| Legal and consulting services | 1,893 | 1,377 | 9,313 | 5,126 |
| Charity and sponsorship expenses | 1,586 | 949 | 4,164 | 2,785 |
| Communications | 1,304 | 1,017 | 3,277 | 3,376 |
| Net loss from sale of premises, equipment and other assets | (543) | 4,177 | 302 | 6,885 |
| Other expenses | 22,479 | 4,658 | 59,223 | 34,681 |
| Total operating expenses | 280,441 | 202,614 | 869,004 | 633,081 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

25. COMMITMENTS AND CONTINGENCIES

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

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

Provision for losses on contingent liabilities amounted to BYR 1,482 million and BYR 6,087 million at 30 September 2012 and 31 December 2011, respectively (Note 19).

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

| | 30 September 2012 (unaudited) | 31 December 2011 |
|--|--|-----------------------------|
| Contingent liabilities and credit commitments | | |
| Uncovered letters of credit | 1,950,890 | 1,627,751 |
| Commitments on loans and unused credit lines | 1,483,798 | 689,714 |
| Letters of credit secured by cash | 666,010 | 609,020 |
| Guarantees issued and similar commitments | 607,250 | 603,420 |
| Total contingent liabilities and credit commitments | 4,707,948 | 3,529,905 |

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

| | 30 September 2012 (unaudited) | 31 December 2011 |
|--|--|-----------------------------|
| Not later than 1 year | 21,632 | 35,206 |
| Later than 1 year and not later than 5 years | 30,320 | 67,947 |
| Later than 5 years | 521 | 787 |
| Total operating lease commitments | 52,473 | 103,940 |

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

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

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

Operating environment – In 2012 there were certain indicators of stabilization of the macroeconomic environment in Belarus. The rate of inflation for the 9 months of 2012 comprised 16%. The National Bank gradually decreased the refinancing rate from 45% as of 31/12/2011 to 30% as of 30/09/2012 which led to the decrease in bank loan rates for legal entities and individuals. The exchange rates towards major foreign currencies remained stable during the 9 months of 2012 and showed weak tendency towards decrease. In April 2012 Standard & Poor's rating agency upgraded the outlook of sovereign credit ratings of Belarus from "negative" to "stable".

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

26. TRANSACTIONS WITH RELATED PARTIES

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

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

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

| | 30 September 2012 (unaudited) | | 31 December 2011 | |
|--|----------------------------------|--|---------------------------|--|
| | Related party balances | Total category as per the financial statements caption | Related party balances | Total category as per the financial statements caption |
| Cash and cash equivalents | 115,981 | 3,607,679 | 97,507 | 5,191,262 |
| - parent bank | 115,981 | | 97,507 | |
| Loans to corporate customers, gross | 76,717 | 17,429,045 | 115,424 | 14,547,999 |
| - associates | 76,717 | | 115,424 | |
| Loans to individuals, gross | 15,239 | 763,743 | 9,351 | 1,246,243 |
| - key management personnel | 15,239 | | 9,351 | |
| Allowance for impairment losses | 15,380 | 675,793 | 6,020 | 682,773 |
| - associates | 14,645 | | 5,658 | |
| - key management personnel | 735 | | 362 | |
| Investments in associates | 23,376 | 23,376 | 20,873 | 20,873 |
| Due to banks | 5,144,167 | 7,792,749 | 7,533,050 | 9,974,714 |
| - parent bank | 5,144,167 | | 7,533,050 | |
| Subordinated debt | 439,862 | 439,862 | 500,974 | 500,974 |
| - parent bank | 439,862 | | 500,974 | |
| Due to individuals | 14,744 | 7,315,902 | 4,044 | 6,327,735 |
| - key management personnel | 14,744 | | 4,044 | |
| Due to corporate customers | 87,578 | 8,883,645 | 73,023 | 7,321,310 |
| - associates | 87,578 | | 73,023 | |
| Commitments and contingencies | 6,081 | 4,707,948 | 6,547 | 3,529,905 |
| - associates | 5,495 | | 6,260 | |
| - key management personnel | 586 | | 287 | |

Included in the interim condensed consolidated income statement for the 9 months, ended 30 September 2012, and for the 9 months, ended 30 September 2011, are the following amounts which arose due to transactions with related parties:

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

26. TRANSACTIONS WITH RELATED PARTIES (CONTINUED)

| | 9 months ended 30 September 2012 (unaudited) | | 9 months ended 30 September 2011 (unaudited) | |
|--------------------------------------|--|--|--|--|
| | Related party transactions | Total category as per the financial statements caption | Related party transactions | Total category as per the financial statements caption |
| Interest income | 12,589 | 2,801,390 | 15,721 | 1,991,328 |
| - parent bank | 2,376 | | 1,255 | |
| - associates | 9,237 | | 14,272 | |
| - key management personnel | 976 | | 194 | |
| Fee and commission income | 104 | 585,077 | 312 | 549,966 |
| - parent bank | 2 | | | |
| - associates | 91 | | 310 | |
| - key management personnel | 11 | | 2 | |
| Interest expenses | (213,286) | (1,648,569) | (151,003) | (990,662) |
| - parent bank | (209,452) | | (149,189) | |
| - associates | (2,133) | | (1,636) | |
| - key management personnel | (1,701) | | (178) | |
| Allowance for loan impairment | (9,361) | (87,998) | (6,712) | (387,230) |
| - associates | (8,987) | | (6,935) | |
| - key management personnel | (374) | | 223 | |
| Fee and commission expense | (21,832) | (143,052) | (15,309) | (164,913) |
| - parent bank | (21,832) | | (15,309) | |
| Staff costs | (19,554) | (362,402) | (14,126) | (263,416) |
| - key management personnel | (19,554) | | (14,126) | |

During the 9 months, ended 30 September 2012, and 9 months, ended 30 September 2011, remuneration of key management personnel was comprised by short-term employee benefits.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

27. SEGMENT REPORTING

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

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

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

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

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

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

Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's average interest rate of placed and received funds. There are no other material items of income or expense between the business segments. Internal charges have been reflected in the performance of each business.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

Segment information about these businesses is presented below:

| | Retail banking | Corporate banking | Unallocated | 30 September 2012/ 9 months ended 30 September 2012 Total |
|--|--------------------|----------------------|--------------------|--|
| Interest income | 208,182 | 2,291,620 | 301,588 | 2,801,390 |
| Interest expense | (544,279) | (806,133) | (298,157) | (1,648,569) |
| Allowance for impairment losses on interest bearing assets | 4,762 | (92,760) | | (87,998) |
| Fee and commission income | 325,881 | 210,767 | 48,429 | 585,077 |
| Fee and commission expense | (51,643) | (71,468) | (19,941) | (143,052) |
| Net losses arising from investment securities available for sale | - | - | (3,832) | (3,832) |
| Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains | - | - | 997 | 997 |
| Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains | - | - | (228,187) | (228,187) |
| Other provisions | | 3,769 | - | 3,769 |
| Other income | - | - | 25,174 | 25,174 |
| Operating (losses)/income | (57,097) | 1,535,795 | (173,929) | 1,304,769 |
| Income/(expense) from other segments | 610,205 | (671,731) | 61,526 | - |
| Total operating income/(loss) | 553,108 | 864,064 | (112,403) | 1,304,769 |
| Operating expenses | - | - | (869,004) | (869,004) |
| Share of results of an associate | - | - | 5,191 | 5,191 |
| Profit/(Loss) before loss on net monetary position | 553,108 | 864,064 | (976,216) | 440,956 |
| Loss on net monetary position due to inflation effect | 22,480 | (119,443) | (163,232) | (260,195) |
| Profit/(Loss) before income taxes | 575,588 | 744,621 | (1,139,448) | 180,761 |
| Income tax expense | - | - | (74,385) | (74,385) |
| Net profit/(loss) | 575,588 | 744,621 | (1,213,833) | 106,376 |
| Segment assets | 763,743 | 17,429,045 | 11,048,875 | 29,241,663 |
| Segment liabilities | (7,456,766) | (10,325,303) | (8,912,278) | (26,694,347) |
| Other segment items | | | | |
| Loans to customers | 763,743 | 17,429,045 | | 18,192,788 |
| Customer accounts | 7,315,902 | 8,883,645 | | 16,199,547 |
| Debt securities issued | 140,864 | 1,441,658 | | 1,582,522 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

| | Retail banking | Corporate banking | Unallocated | 31 December 2011/ 9 months ended 30 September 2011 Total |
|--|--------------------|----------------------|---------------------|---|
| Interest income | 280,048 | 1,514,052 | 197,228 | 1,991,328 |
| Interest expense | (382,029) | (352,274) | (256,359) | (990,662) |
| Allowance for impairment losses on interest bearing assets | (6,673) | (380,557) | | (387,230) |
| Fee and commission income | 312,962 | 193,627 | 43,377 | 549,966 |
| Fee and commission expense | (45,226) | (102,185) | (17,502) | (164,913) |
| Net losses arising from investment securities available for sale | - | - | (1,619) | (1,619) |
| Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation gains | - | - | 226,899 | 226,899 |
| Net losses arising from operations with precious metals, precious metals derivatives and precious metals translations gains | - | - | (17,118) | (17,118) |
| Impairment of office premises and non- current assets held for sale | - | - | (57,978) | (57,978) |
| Net gains from disposal of subsidiary | - | - | 26,474 | 26,474 |
| Other provisions | - | (44,023) | - | (44,023) |
| Other income | - | - | 17,224 | 17,224 |
| Operating income | 159,082 | 828,640 | 160,626 | 1,148,348 |
| Income/(expense) from other segments | 292,016 | (576,994) | 284,978 | - |
| Total operating income | 451,098 | 251,646 | 445,604 | 1,148,348 |
| Operating expenses | - | - | (633,081) | (633,081) |
| Share of results of an associate | - | - | 6,329 | 6,329 |
| Profit/(Loss) before loss on net monetary position | 451,098 | 251,646 | (181,148) | 521,596 |
| Loss on net monetary position due to inflation effect | 26,053 | (332,536) | (526,908) | (833,391) |
| Profit/(loss) before income taxes | 477,151 | (80,890) | (708,056) | (311,795) |
| Income tax expense | - | - | (126,861) | (126,861) |
| Net profit/(loss) | 477,151 | (80,890) | (834,917) | (438,656) |
| Segment assets | 1,246,243 | 14,547,999 | 12,799,084 | 28,593,326 |
| Segment liabilities | (6,423,546) | (8,579,682) | (11,199,592) | (26,202,820) |
| Other segment items | | | | |
| Loans to customers | 1,246,243 | 14,547,999 | | 15,794,242 |
| Customer accounts | 6,327,735 | 7,321,310 | | 13,649,045 |
| Debt securities issued | 95,811 | 1,258,372 | | 1,354,183 |

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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

28. CAPITAL MANAGEMENT

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

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

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

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

As at 30 September 2012 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 2,987,178 million and tier 1 capital amount was BYR 2,222,042 million with ratios of 12.4% and 9.2%, respectively.

As at 31 December 2011 according to the norms of the Basel Capital Accord the Group's total capital amount for Capital adequacy purposes was BYR 2,891,280 million and tier 1 capital amount was BYR 2,068,996 million with ratios of 13.1% and 9.6%, respectively.

As at 30 September 2012 and 31 December 2011 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 10.5% and 12.0%, respectively.

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

| At 30 September 2012 (unaudited) | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|------------------|------------------|
| Financial assets: | | | | |
| Derivative financial instruments | 60 | 1,005 | 5,447,746 | 5,448,811 |
| Investments available for sale | 377,330 | 303,478 | - | 680,808 |
| Equity investments available for sale | 3,138 | - | - | 3,138 |
| Total financial assets | 380,528 | 304,483 | 5,447,746 | 6,132,757 |
| Financial liabilities | | | | |
| Derivative financial instruments | 2,207 | 214 | - | 2,421 |
| Total financial liabilities | 2,207 | 214 | - | 2,421 |
| At 31 December 2011 | | | | |
| Financial assets: | | | | |
| Derivative financial assets | - | - | 6,039,536 | 6,039,536 |
| Investments available for sale | 386,650 | 271,347 | - | 657,997 |
| Equity investments available for sale | 2,702 | - | - | 2,702 |
| Total financial assets | 389,352 | 271,347 | 6,039,536 | 6,700,235 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES

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

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

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

Credit risk

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

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

| 30 September 2012 (unaudited) | AA | A | BBB | BB | B | Not rated | Total |
|---|-----------|----------|------------|-----------|-----------|------------------|-------------------|
| Cash equivalents | 166,045 | 14,983 | 118,416 | - | 1,732,873 | 14,462 | 2,046,779 |
| Mandatory cash balances with the National Bank | - | - | - | - | 166,940 | - | 166,940 |
| Due from banks | - | - | - | - | 105,890 | 55,000 | 160,890 |
| Derivative financial assets | - | - | 4,925 | - | 5,443,886 | - | 5,448,811 |
| Loans to corporate customers | - | - | - | - | - | 16,790,112 | 16,790,112 |
| Loans to individuals | - | - | - | - | - | 726,883 | 726,883 |
| Investments available for sale | - | 3,138 | - | - | 565,256 | 126,964 | 695,358 |
| Investments held to maturity | - | - | - | - | 146,603 | 12,138 | 158,741 |
| Other financial assets | - | - | - | - | - | 136,146 | 136,146 |
| 31 December 2011 | AA | A | BBB | BB | B | Not rated | Total |
| Cash equivalents | 556,362 | 108,253 | 151,434 | 156,935 | 3,119,129 | 12,395 | 4,104,508 |
| Mandatory cash balances with the National Bank | - | - | - | - | 85,971 | - | 85,971 |
| Due from banks | - | - | - | - | 128,110 | 29,233 | 157,343 |
| Derivative financial assets | - | - | - | - | 6,039,536 | - | 6,039,536 |
| Loans to corporate customers | - | - | - | - | - | 13,913,475 | 13,913,475 |
| Loans to individuals | - | - | - | - | - | 1,197,994 | 1,197,994 |
| Investments available for sale | - | 2,701 | - | - | 552,578 | 116,881 | 672,160 |
| Investments held to maturity | - | - | - | - | 27,390 | 14,470 | 41,860 |
| Other financial assets | - | - | - | - | - | 89,050 | 89,050 |

At 30 September 2012 and 31 December 2011 other financial assets comprised past due but not impaired assets in the amount of BYR 418 million and BYR 730 million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 6.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Geographical concentration

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

| 30 September 2012 (unaudited) | Belarus | CIS Countries | OECD Countries | Non-OECD countries | Total |
|---|--------------------------|---------------------------|---------------------------|-------------------------------|--------------------------|
| FINANCIAL ASSETS | | | | | |
| Cash and cash equivalents | 3,301,016 | 125,635 | 180,339 | 689 | 3,607,679 |
| Mandatory cash balances with the National Bank | 166,940 | - | - | - | 166,940 |
| Due from banks | 160,890 | - | - | - | 160,890 |
| Derivative financial assets | 5,443,886 | 4,925 | - | - | 5,448,811 |
| Loans to corporate customers | 16,790,112 | - | - | - | 16,790,112 |
| Loans to individuals | 726,883 | - | - | - | 726,883 |
| Investments available for sale | 692,220 | - | 3,138 | - | 695,358 |
| Investments held to maturity | 158,741 | - | - | - | 158,741 |
| Other financial assets | 136,146 | - | - | - | 136,146 |
| TOTAL FINANCIAL ASSETS | <u>27,576,834</u> | <u>130,560</u> | <u>183,477</u> | <u>689</u> | <u>27,891,560</u> |
| FINANCIAL LIABILITIES | | | | | |
| Loans from the National Bank | 294,689 | - | - | - | 294,689 |
| Due to banks | 497,553 | 5,361,839 | 1,915,772 | 17,585 | 7,792,749 |
| Derivative financial liabilities | 214 | 2,207 | - | - | 2,421 |
| Due to individuals | 7,315,902 | - | - | - | 7,315,902 |
| Due to corporate customers | 8,523,220 | 12,624 | 1,669 | 346,132 | 8,883,645 |
| Debt securities issued | 1,582,522 | - | - | - | 1,582,522 |
| Other financial liabilities | 89,299 | - | - | - | 89,299 |
| Subordinated debt | - | 439,862 | - | - | 439,862 |
| TOTAL FINANCIAL LIABILITIES | <u>18,303,399</u> | <u>5,816,532</u> | <u>1,917,441</u> | <u>363,717</u> | <u>26,401,089</u> |
| NET POSITION | <u>9,273,435</u> | <u>(5,685,972)</u> | <u>(1,733,964)</u> | <u>(363,028)</u> | |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Geographical concentration (continued)

31 December 2011

| | Belarus | CIS Countries | OECD Countries | Non-OECD countries | Total |
|---|-------------------|--------------------------|---------------------------|-------------------------------|-------------------|
| FINANCIAL ASSETS | | | | | |
| Cash and cash equivalents | 4,204,355 | 322,292 | 664,318 | 297 | 5,191,262 |
| Mandatory cash balances with the National Bank | 85,971 | - | - | - | 85,971 |
| Due from banks | 157,343 | - | - | - | 157,343 |
| Derivative financial assets | 6,039,536 | - | - | - | 6,039,536 |
| Loans to corporate customers | 13,913,475 | - | - | - | 13,913,475 |
| Loans to individuals | 1,197,994 | - | - | - | 1,197,994 |
| Investments available for sale | 669,459 | - | 2,701 | - | 672,160 |
| Investments held to maturity | 41,860 | - | - | - | 41,860 |
| Other financial assets | 89,050 | - | - | - | 89,050 |
| TOTAL FINANCIAL ASSETS | 26,399,043 | 322,292 | 667,019 | 297 | 27,388,651 |
| FINANCIAL LIABILITIES | | | | | |
| Loans from the National Bank | 350,371 | - | - | - | 350,371 |
| Due to banks | 149,555 | 7,678,511 | 2,119,196 | 27,452 | 9,974,714 |
| Due to individuals | 6,327,735 | - | - | - | 6,327,735 |
| Due to corporate customers | 7,280,780 | 1,713 | 1,743 | 37,074 | 7,321,310 |
| Debt securities issued | 1,354,183 | - | - | - | 1,354,183 |
| Other financial liabilities | 61,181 | - | - | - | 61,181 |
| Subordinated debt | - | 500,974 | - | - | 500,974 |
| TOTAL FINANCIAL LIABILITIES | 15,523,805 | 8,181,198 | 2,120,939 | 64,526 | 25,890,468 |
| NET POSITION | 10,875,238 | (7,858,906) | (1,453,920) | (64,229) | |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk

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

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

| 30 September 2012 (unaudited) | Demand and less than 1 month | From 1 to 9 months | From 6 to 12 months | From 1 to 3 years | From 3 to 5 years | More than 5 years | Overdue | No stated maturity | Total |
|---|---------------------------------------|-----------------------|------------------------|----------------------|----------------------|----------------------|------------------|-----------------------|-------------------|
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | 3,607,679 | - | - | - | - | - | - | - | 3,607,679 |
| Mandatory cash balances with the National Bank | 46,377 | 48,948 | 33,648 | 35,272 | 87 | 2,608 | - | - | 166,940 |
| Due from banks | - | 64,525 | 6,694 | 19,218 | - | 70,453 | - | - | 160,890 |
| Derivative financial assets | 1,740,246 | 862,784 | 5 | 2,104,584 | 741,192 | - | - | - | 5,448,811 |
| Loans to corporate customers | 1,083,319 | 5,014,344 | 3,268,693 | 4,535,447 | 95,429 | 2,652,383 | 140,497 | - | 16,790,112 |
| Loans to individuals | 21,662 | 60,445 | 91,965 | 206,439 | 5,837 | 329,837 | 10,698 | - | 726,883 |
| Non-current asset held for sale | - | - | 15,987 | - | - | - | - | - | 15,987 |
| Investments available for sale | 5,028 | 168,374 | 187,696 | 303,001 | 5,495 | 11,214 | - | 14,550 | 695,358 |
| Investments held to maturity | 1 | 1,709 | 1,474 | 144,943 | - | 10,614 | - | - | 158,741 |
| Investments in an associate | - | - | - | - | - | - | - | 23,376 | 23,376 |
| Premises and equipment | - | - | - | - | - | - | - | 1,035,686 | 1,035,686 |
| Intangible assets | - | - | - | - | - | - | - | 57,269 | 57,269 |
| Current income tax assets | 102,779 | - | - | - | - | - | - | - | 102,779 |
| Other assets | 196,370 | 10,988 | 311 | 2,357 | 150 | 18,279 | 418 | 22,279 | 251,152 |
| TOTAL ASSETS | 6,803,461 | 6,232,117 | 3,606,473 | 7,351,261 | 848,190 | 3,095,388 | 151,613 | 1,153,160 | 29,241,663 |
| LIABILITIES | | | | | | | | | |
| Loans from the National Bank | 678 | 9,744 | 15,529 | 268,738 | - | - | - | - | 294,689 |
| Due to banks | 3,436,872 | 2,246,847 | 574,669 | 1,270,981 | 1,039 | 262,341 | - | - | 7,792,749 |
| Derivative financial liabilities | - | 214 | 3 | 2,204 | - | - | - | - | 2,421 |
| Due to individuals | 1,469,270 | 2,175,579 | 2,028,142 | 1,634,890 | 7,603 | 418 | - | - | 7,315,902 |
| Due to corporate customers | 4,251,207 | 1,589,046 | 1,337,054 | 1,458,495 | 687 | 247,156 | - | - | 8,883,645 |
| Debt securities issued | 87,290 | 1,187,579 | 1,404 | 306,249 | - | - | - | - | 1,582,522 |
| Current income tax liabilities | 94,084 | - | - | - | - | - | - | - | 94,084 |
| Deferred income tax liabilities | - | - | - | - | - | - | - | 115,927 | 115,927 |
| Provisions for guarantees and other commitments | - | 223 | 1,259 | - | - | - | - | - | 1,482 |
| Other liabilities | 109,992 | 39,728 | 14,686 | 1,761 | 100 | 3,225 | - | 1,572 | 171,064 |
| Subordinated debt | - | - | - | - | - | 439,862 | - | - | 439,862 |
| TOTAL LIABILITIES | 9,449,393 | 7,248,960 | 3,972,746 | 4,943,318 | 9,429 | 953,002 | - | 117,499 | 26,694,347 |
| Net liquidity surplus/(gap) | (2,645,932) | (1,016,843) | (366,273) | 2,407,943 | 838,761 | 2,142,386 | 151,613 | 1,035,661 | 2,547,316 |
| Cumulative liquidity gap as at 30 September 2012 | (2,645,932) | (3,662,775) | (4,029,048) | (1,621,105) | (782,344) | 1,360,042 | 1,511,655 | 2,547,316 | - |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (continued)

| 31 December 2011 | Demand and less than 1 month | From 1 to 9 months | From 6 to 12 months | From 1 to 3 years | From 3 to 5 years | More than 5 years | Overdue | No stated maturity | Total |
|--|---------------------------------------|-----------------------|------------------------|----------------------|----------------------|----------------------|------------------|-----------------------|-------------------|
| ASSETS | | | | | | | | | |
| Cash and cash equivalents | 5,191,262 | - | - | - | - | - | - | - | 5,191,262 |
| Mandatory cash balances with the National Bank | 29,808 | 17,281 | 19,741 | 16,959 | 728 | 1,454 | - | - | 85,971 |
| Due from banks | - | 12,114 | 29,233 | 19,456 | - | 96,540 | - | - | 157,343 |
| Derivative financial assets | - | 37,366 | 1,814,340 | 3,131,948 | 1,055,882 | - | - | - | 6,039,536 |
| Loans to corporate customers | 827,896 | 3,060,909 | 3,059,395 | 4,504,135 | 100,011 | 2,278,666 | 82,463 | - | 13,913,475 |
| Loans to individuals | 43,777 | 78,914 | 151,436 | 348,825 | 10,850 | 552,178 | 12,014 | - | 1,197,994 |
| Non-current asset held for sale | - | 19,081 | - | - | - | - | - | - | 19,081 |
| Investments available for sale | 75 | 10,765 | 169,186 | 257,636 | 208,430 | 11,906 | - | 14,162 | 672,160 |
| Investments held to maturity | 75 | 3 | - | 29,478 | - | 12,304 | - | - | 41,860 |
| Investments in an associate | - | - | - | - | - | - | - | 20,873 | 20,873 |
| Premises and equipment | - | - | - | - | - | - | - | 991,560 | 991,560 |
| Intangible assets | - | - | - | - | - | - | - | 46,850 | 46,850 |
| Current income tax assets | - | - | - | - | - | - | - | 16,459 | 16,459 |
| Other assets | 151,691 | 13,553 | 2,394 | 4,396 | 169 | 8,711 | 730 | 17,258 | 198,902 |
| TOTAL ASSETS | 6,244,584 | 3,249,986 | 5,245,725 | 8,312,833 | 1,376,070 | 2,961,759 | 95,207 | 1,107,162 | 28,593,326 |
| LIABILITIES | | | | | | | | | |
| Loans from the National Bank | 774 | 8,711 | 11,030 | 329,856 | - | - | - | - | 350,371 |
| Due to banks | 1,301,821 | 1,751,523 | 2,940,018 | 3,597,683 | 46,938 | 336,731 | - | - | 9,974,714 |
| Due to individuals | 899,914 | 826,280 | 2,201,162 | 2,287,836 | 109,259 | 3,284 | - | - | 6,327,735 |
| Due to corporate customers | 4,751,322 | 1,364,088 | 841,394 | 139,347 | 3,505 | 221,654 | - | - | 7,321,310 |
| Debt securities issued | 17,269 | 598,654 | 324,882 | 413,378 | - | - | - | - | 1,354,183 |
| Current income tax liabilities | - | - | - | - | - | - | - | 90,460 | 90,460 |
| Deferred income tax liabilities | - | - | - | - | - | - | - | 140,165 | 140,165 |
| Provisions for guarantees and other commitments | - | 1,993 | 2,723 | 1,371 | - | - | - | - | 6,087 |
| Other liabilities | 78,411 | 41,691 | 2,752 | 1,361 | 63 | 5,357 | - | 7,186 | 136,821 |
| Subordinated debt | - | - | - | - | - | 500,974 | - | - | 500,974 |
| TOTAL LIABILITIES | 7,049,511 | 4,592,940 | 6,323,961 | 6,770,832 | 159,765 | 1,068,000 | - | 237,811 | 26,202,820 |
| Net liquidity surplus/(gap) | (804,927) | (1,342,954) | (1,078,236) | 1,542,001 | 1,216,305 | 1,893,759 | 95,207 | 869,351 | 2,390,506 |
| Cumulative liquidity gap as at 31 December 2011 | (804,927) | (2,147,881) | (3,226,117) | (1,684,116) | (467,811) | 1,425,948 | 1,521,155 | 2,390,506 | |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Liquidity risk (continued)

The Group's liquidity risk management includes estimation of core deposits, i.e. funds associated with stable customer deposits relationships, with statistical methods applied to historic information on fluctuations of customer accounts balances. Core deposits at 30 September 2012 and 31 December 2011 are estimated in the amount of BYR 2 245 375 million and BYR 1 788 461 million, respectively. As at 30 September 2012 and 31 December 2011 included in due to banks were funds attracted from parent bank in the amount of BYR 5 144 135 million and BYR 7 533 051 million, respectively, comprising of short-term loans, which, as a rule, are being reinvested on maturity dates. Based on going concern assumptions the effective maturities of core deposits of funds from parent bank are considered to be undefined. Information as to the expected periods of repayment of customer accounts, funds from parent bank and effective liquidity gaps as at 30 September 2012 and 31 December 2011 is as follows:

| 30 September 2012 (unaudited) | Demand and less than 1 month | From 1 to 9 months | From 6 to 12 months | From 1 to 3 years | From 3 to 5 years | More than 5 years | Overdue | No stated maturity | Total |
|--|---|-------------------------------|--------------------------------|------------------------------|------------------------------|------------------------------|----------------|-------------------------------|------------------|
| Accounts of individuals analyzed based on expected withdrawal dates | 926,111 | 2,175,579 | 2,028,142 | 1,634,890 | 7,603 | 418 | - | 543,159 | 7,315,902 |
| Corporate accounts analyzed based on expected withdrawal dates | 2,548,991 | 1,589,046 | 1,337,054 | 1,458,495 | 687 | 247,156 | - | 1,702,216 | 8,883,645 |
| Funds attracted from other banks analyzed | 518,751 | 660,689 | 556,560 | 649,234 | 1,039 | 262,341 | - | 5,144,135 | 7,792,749 |
| Liquidity gap (based on expected withdrawal dates for customers accounts) | 2,517,564 | 569,315 | (348,164) | 3,029,690 | 838,761 | 2,142,386 | 151,613 | (6,353,849) | |
| 31 December 2011 | Demand and less than 1 month | From 1 to 9 months | From 6 to 12 months | From 1 to 3 years | From 3 to 5 years | More than 5 years | Overdue | No stated maturity | Total |
| Accounts of individuals analyzed based on expected withdrawal dates | 556,842 | 826,280 | 2,201,162 | 2,287,836 | 109,259 | 3,284 | - | 343,072 | 6,327,735 |
| Corporate accounts analyzed based on expected withdrawal dates | 3,305,933 | 1,364,088 | 841,394 | 139,347 | 3,505 | 221,654 | - | 1,445,389 | 7,321,310 |
| Funds attracted from other banks analyzed | 303,829 | 552,612 | 304,935 | 896,619 | 46,938 | 336,731 | - | 7,533,050 | 9,974,714 |
| Liquidity gap (based on expected withdrawal dates for customers accounts) | 1,981,526 | (144,043) | 1,556,847 | 4,243,065 | 1,216,305 | 1,893,759 | 95,207 | (8,452,160) | |

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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Interest rate risk

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

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

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

Impact on profit before taxes:

| | As at 30 September 2012 (unaudited) | | As at 31 December 2011 | |
|--|---|-----------------------|---------------------------|-----------------------|
| | Interest rate +15% | Interest rate -15% | Interest rate +15% | Interest rate -15% |
| BYR | | | | |
| Impact on profit before taxes: | | | | |
| Assets: | | | | |
| Due from banks | 21,727 | (21,727) | 19,217 | (19,217) |
| Loans to customers | 953,964 | (953,964) | 888,776 | (888,776) |
| Investments available for sale | 6,771 | (6,771) | 8,276 | (8,276) |
| Investments held to maturity | 1,818 | (1,818) | 2,102 | (2,102) |
| Liabilities: | | | | |
| Due to banks | (16,340) | 16,340 | (2,375) | 2,375 |
| Customer accounts | (755,931) | 755,931 | (578,254) | 578,254 |
| Debt securities issued | (59,234) | 59,234 | (69,348) | 69,348 |
| Net impact on profit before taxes | 152,775 | (152,775) | 268,394 | (268,394) |
| Impact on comprehensive income (excluding profit for the year): | | | | |
| Investments available for sale | (10,522) | 10,522 | (19,062) | 19,062 |
| Net impact on comprehensive income | 142,253 | (142,253) | 249,332 | (249,332) |
| | As at 30 September 2012 (unaudited) | | As at 31 December 2011 | |
| | Interest rate +5% | Interest rate -5% | Interest rate +5% | Interest rate -5% |
| USD | | | | |
| Impact on profit before taxes: | | | | |
| Assets: | | | | |
| Due from banks | - | - | 1,462 | (1,462) |
| Loans to customers | 217,314 | (217,314) | 113,168 | (113,168) |
| Investments available for sale | 2,227 | (2,227) | 2,664 | (2,664) |
| Investments held to maturity | 59 | (59) | 3 | (3) |
| Liabilities: | | | | |
| Loans from the National Bank | (14,304) | 14,304 | (16,619) | 16,619 |
| Due to banks | (50,685) | 50,685 | (19,281) | 19,281 |
| Customer accounts | (146,138) | 146,138 | (91,190) | 91,190 |
| Debt securities issued | (14,787) | 14,787 | (7,325) | 7,325 |
| Net impact on profit before taxes | (6,314) | 6,314 | (17,118) | 17,118 |
| Impact on comprehensive income (excluding profit for the year): | | | | |
| Investments available for sale | - | - | - | - |
| Net impact on comprehensive income | (6,314) | 6,314 | (17,118) | 17,118 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Interest rate risk (continued)

| EUR | As at 30 September 2012 (unaudited) | | As at 31 December 2011 | |
|--|---|----------------------|---------------------------|----------------------|
| | Interest rate +5% | Interest rate -5% | Interest rate +5% | Interest rate -5% |
| | Impact on profit before taxes: | | | |
| Assets: | | | | |
| Loans to customers | 186,262 | (186,262) | 177,489 | (177,489) |
| Investments available for sale | 2 | (2) | - | - |
| Liabilities: | | | | |
| Due to banks | (94,969) | 94,969 | (178,183) | 178,183 |
| Customer accounts | (63,771) | 63,771 | (62,803) | 62,803 |
| Debt securities issued | (12,068) | 12,068 | (4,589) | 4,589 |
| Net impact on profit before taxes | 15,456 | (15,456) | (68,086) | 68,086 |
| Impact on comprehensive income (excluding profit for the year): | | | | |
| Investments available for sale | - | - | - | - |
| Net impact on comprehensive income | 15,456 | (15,456) | (68,086) | 68,086 |

| RUR | As at 30 September 2012 (unaudited) | | As at 31 December 2011 | |
|--|---|----------------------|---------------------------|----------------------|
| | Interest rate +5% | Interest rate -5% | Interest rate +5% | Interest rate -5% |
| | Impact on profit before taxes: | | | |
| Assets: | | | | |
| Loans to customers | 32,151 | (32,151) | 23,290 | (23,290) |
| Investments available for sale | 5,820 | (5,820) | 2,129 | (2,129) |
| Liabilities: | | | | |
| Due to banks | (13,769) | 13,769 | (8,423) | 8,423 |
| Customer accounts | (48,073) | 48,073 | (55,131) | 55,131 |
| Debt securities issued | (6,723) | 6,723 | (1,055) | 1,055 |
| Net impact on profit before taxes | (30,594) | 30,594 | (39,190) | 39,190 |
| Impact on comprehensive income (excluding profit for the year): | | | | |
| Investments available for sale | - | - | - | - |
| Net impact on comprehensive income | (30,594) | 30,594 | (39,190) | 39,190 |

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.

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

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

Currency risk (continued)

| 30 September 2012 (unaudited) | BYR | USD 1USD=BYR 8,500 | EUR 1EUR=BYR 10,990 | RUR 1RUR=BYR 275 | Precious metals | Other curren- cies | Total |
|---|-------------------|-----------------------------------|------------------------------------|---------------------------------|----------------------------|-----------------------------------|-------------------|
| FINANCIAL ASSETS | | | | | | | |
| Cash and cash equivalents | 2,490,723 | 637,970 | 231,978 | 209,825 | 26,049 | 11,134 | 3,607,679 |
| Mandatory cash balances with the National Bank of the Republic of Belarus | 166,940 | - | - | - | - | - | 166,940 |
| Due from banks | 160,890 | - | - | - | - | - | 160,890 |
| Derivative financial assets | 5,448,811 | - | - | - | - | - | 5,448,811 |
| Loans to corporate customers | 5,925,004 | 4,928,691 | 4,235,928 | 1,700,489 | - | - | 16,790,112 |
| Loans to individuals | 612,824 | 112,712 | 1,347 | - | - | - | 726,883 |
| Investments available for sale | 270,025 | 255,466 | 5,547 | 164,320 | - | - | 695,358 |
| Investments held to maturity | 37,737 | 121,004 | - | - | - | - | 158,741 |
| Other financial assets | 126,835 | 5,940 | 1,504 | 1,866 | - | 1 | 136,146 |
| TOTAL FINANCIAL ASSETS | 15,239,789 | 6,061,783 | 4,476,304 | 2,076,500 | 26,049 | 11,135 | 27,891,560 |
| FINANCIAL LIABILITIES | | | | | | | |
| Loans from the National Bank | - | 294,689 | - | - | - | - | 294,689 |
| Due to banks | 113,780 | 1,174,003 | 2,561,195 | 293,397 | 3,650,355 | 19 | 7,792,749 |
| Derivative financial liabilities | 2,421 | - | - | - | - | - | 2,421 |
| Due to individuals | 1,259,119 | 4,273,130 | 1,262,656 | 267,895 | 253,100 | 2 | 7,315,902 |
| Due to corporate customers | 3,932,237 | 1,839,920 | 1,791,782 | 1,183,194 | 128,448 | 8,064 | 8,883,645 |
| Debt securities issued | 399,307 | 493,329 | 392,565 | 297,321 | - | - | 1,582,522 |
| Other financial liabilities | 41,355 | 29,299 | 14,150 | 4,250 | - | 245 | 89,299 |
| Subordinated debt | - | - | 439,862 | - | - | - | 439,862 |
| TOTAL FINANCIAL LIABILITIES | 5,748,219 | 8,104,370 | 6,462,210 | 2,046,057 | 4,031,903 | 8,330 | 26,401,089 |
| CURRENCY POSITION | 9,491,570 | (2,042,587) | (1,985,906) | 30,443 | (4,005,854) | 2,805 | |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Currency risk (continued)

Derivative financial instruments

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

| 30 September 2012 (unaudited) | BYR | USD 1USD=BYR 8,500 | EUR 1EUR=BYR 10,990 | RUR 1RUR=BYR 275 | Precious metals | Other curren- cies | Total |
|--|--------------------|-----------------------------------|------------------------------------|---------------------------------|----------------------------|-----------------------------------|--------------------|
| Claims on derivative financial instruments | 718 | 2,217,543 | 3,831,224 | 62,091 | 4,013,989 | - | 10,125,565 |
| Obligations on derivative financial instruments | (2,906,671) | (20,585) | (1,710,319) | (64,604) | - | - | (4,702,179) |
| NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION | (2,905,953) | 2,196,958 | 2,120,905 | (2,513) | 4,013,989 | - | 5,423,386 |
| TOTAL CURRENCY POSITION | 6,585,617 | 154,371 | 134,999 | 27,930 | 8,135 | 2,805 | |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Currency risk (continued)

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

| 31 December 2011 | USD 1USD=BYR 8,350.00 | EUR 1EUR=BYR 10,800.00 | RUR 1RUR=BYR 261.00 | Precious metals | Other curren- cies | Total | |
|---|-----------------------------|------------------------------|---------------------------|--------------------|--------------------------|---------------|-------------------|
| | BYR | | | | | | |
| FINANCIAL ASSETS | | | | | | | |
| Cash and cash equivalents | 2,188,043 | 1,010,977 | 1,649,399 | 295,635 | 26,993 | 20,215 | 5,191,262 |
| Mandatory cash balances with the National Bank of the Republic of Belarus | 85,971 | - | - | - | - | - | 85,971 |
| Due from banks | 128,110 | 29,233 | - | - | - | - | 157,343 |
| Derivative financial assets | 6,039,536 | - | - | - | - | - | 6,039,536 |
| Loans to corporate customers | 5,265,872 | 3,189,285 | 4,236,664 | 1,221,654 | - | - | 13,913,475 |
| Loans to individuals | 1,018,052 | 177,622 | 2,320 | - | - | - | 1,197,994 |
| Investments available for sale | 238,345 | 264,238 | - | 169,577 | - | - | 672,160 |
| Investments held to maturity | 41,785 | 75 | - | - | - | - | 41,860 |
| Other financial assets | 80,837 | 4,580 | 1,258 | 2,375 | - | - | 89,050 |
| TOTAL FINANCIAL ASSETS | 15,086,551 | 4,676,010 | 5,889,641 | 1,689,241 | 26,993 | 20,215 | 27,388,651 |
| FINANCIAL LIABILITIES | | | | | | | |
| Loans from the National Bank | - | 350,371 | - | - | - | - | 350,371 |
| Due to banks | 17,027 | 691,597 | 5,269,647 | 407,878 | 3,588,493 | 72 | 9,974,714 |
| Due to individuals | 1,077,726 | 3,400,990 | 1,306,729 | 312,452 | 229,837 | 1 | 6,327,735 |
| Due to corporate customers | 3,166,211 | 1,206,339 | 1,351,765 | 1,397,430 | 184,895 | 14,670 | 7,321,310 |
| Debt securities issued | 467,417 | 426,327 | 420,110 | 40,329 | - | - | 1,354,183 |
| Other financial liabilities | 28,960 | 21,057 | 7,443 | 3,721 | - | - | 61,181 |
| Subordinated debt | - | - | 500,974 | - | - | - | 500,974 |
| TOTAL FINANCIAL LIABILITIES | 4,757,341 | 6,096,681 | 8,856,668 | 2,161,810 | 4,003,225 | 14,743 | 25,890,468 |
| CURRENCY POSITION | 10,329,210 | (1,420,671) | (2,967,027) | (472,569) | (3,976,232) | 5,472 | |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)

Currency risk (continued)

Derivative financial instruments

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

| 31 December 2011 | BYR | USD | EUR | RUR | Precious metals | Other currencies | Total |
|--|--------------------|------------------|------------------|----------------|------------------|------------------|------------------|
| | | 1USD=BYR | 1EUR=BYR | 1RUR=BYR | | | |
| Claims on derivative financial instruments | - | 1,464,346 | 4,265,463 | 472,369 | 3,988,559 | - | 10,190,737 |
| Obligations on derivative financial instruments | (3,404,494) | - | (1,167,429) | - | - | - | (4,571,923) |
| NET DERIVATIVE FINANCIAL INSTRUMENTS POSITION | (3,404,494) | 1,464,346 | 3,098,034 | 472,369 | 3,988,559 | - | 5,618,814 |
| TOTAL CURRENCY POSITION | 6,924,716 | 43,675 | 131,007 | (200) | 12,327 | 5,472 | |

Currency risk sensitivity

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

| | As at 30 September 2012 (unaudited) | | As at 31 December 2011 | |
|--------------------------------|--|----------|------------------------|----------|
| | BYR/USD | BYR/USD | BYR/USD | BYR/USD |
| | +30% | -10% | +30% | -10% |
| Impact on profit or loss | 46,311 | (15,437) | 13,103 | (4,368) |
| Impact on comprehensive income | 46,311 | (15,437) | 13,103 | (4,368) |
| | As at 30 September 2012 (unaudited) | | As at 31 December 2011 | |
| | BYR/EUR | BYR/EUR | BYR/EUR | BYR/EUR |
| | +30% | -10% | +30% | -10% |
| Impact on profit or loss | 40,500 | (13,500) | 39,302 | (13,101) |
| Impact on comprehensive income | 40,500 | (13,500) | 39,302 | (13,101) |
| | As at 30 September 2012 (unaudited) | | As at 31 December 2011 | |
| | BYR/RUR | BYR/RUR | BYR/RUR | BYR/RUR |
| | +30% | -10% | +30% | -10% |
| Impact on profit or loss | 8,379 | (2,793) | (60) | 20 |
| Impact on comprehensive income | 8,379 | (2,793) | (60) | 20 |

**NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE 9 MONTHS ENDED 30 SEPTEMBER 2012**

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

30. RISK MANAGEMENT POLICIES (CONTINUED)**Limitations of sensitivity analysis**

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

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

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

Operational risk

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

31. SUBSEQUENT EVENTS

In October, 2012, the structure of the Group "BPS-Sberbank" has changed as a result of acquisition of 25% share in the stock capital of the LLC "Sberbank-Technologies" and state registration of the recently established subsidiary CJSC "Service Desk".

LLC "Sberbank-Technologies" is engaged in software development and consulting. CJSC "Service Desk" renders services in the field of information and communication technologies.