CJSC “Alfa-Bank”

International Financial Reporting Standards Financial Statements and Independent Auditor’s Report

31 December 2012

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Independent Auditor's Report

To the Shareholders and Supervisory Board of CJSC "Alfa-Bank"

1 We have audited the accompanying financial statements of Closed Joint Stock-Company "Alfa-bank" (the "Bank") which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers Assurance, Private Enterprise

19 March 2013
Minsk, Republic of Belarus

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In millions of Belarusian roubles	Note	31 December 2012	31 December 2011
ASSETS			
Cash and cash equivalents	7	528,712	750,295
Mandatory cash balances with the National Bank of Belarus		24,004	13,182
Due from other banks	8	10,584	7,456
Loans and advances to customers	9	1,688,737	1,458,749
Investment securities available for sale	10	188,814	207,040
Derivative financial assets	33	55,422	60,576
Current income tax asset		8,468	-
Deferred income tax asset	27	1,600	4,872
Premises, equipment and intangible assets	11	102,549	99,251
Other financial assets	12	70,028	115,779
Other assets	13	24,344	8,966
TOTAL ASSETS		**2,703,262**	**2,726,166**
LIABILITIES			
Due to other banks	14	212,782	138,375
Customer accounts	15	1,989,108	1,902,675
Debt securities in issue	16	78,603	231,439
Derivative financial liabilities	33	134	269
Current income tax liability		-	4,621
Other financial liabilities	17	82,372	118,935
Other liabilities	18	11,284	7,273
Subordinated debt	19	65,530	77,160
TOTAL LIABILITIES		**2,439,813**	**2,480,747**
EQUITY			
Share capital	20	469,882	435,391
Revaluation reserve for investment securities available for sale	21	733	(1,053)
Accumulated deficit		(207,166)	(188,919)
TOTAL EQUITY		**263,449**	**245,419**
TOTAL LIABILITIES AND EQUITY		**2,703,262**	**2,726,166**

Approved for issue and signed on behalf of the Management board on 19 March 2013.

Denis A. Kalimov
Chairman of the Management Board

Maxim A. Klimenok
Chief Financial Officer

In millions of Belarusian roubles	Note	2012	2011
Interest income	22	282,490	240,882
Interest expense	22	(235,398)	(165,644)
Net interest income		**47,092**	**75,238**
Allowance for impairment of loans to customers	9	(29,073)	(52,201)
Net interest income after allowance for loan impairment		**18,019**	**23,037**
Fee and commission income	23	126,992	102,472
Fee and commission expense	23	(18,949)	(36,172)
Gains less losses from financial derivatives	33	7,704	358,546
Gains less losses from trading in foreign currencies		47,448	46,551
Foreign exchange translation gains less losses		(1,890)	(308,779)
Loss on monetary position	24	(29,180)	(89,485)
Gains less losses from disposals of investment securities available for sale		4,130	21,167
Allowance for impairment of investment securities available for sale		-	465
Other provisions	12, 32	8,065	(15,556)
Other operating income	25	1,457	2,098
Administrative and other operating expenses	26	(161,898)	(142,192)
Profit/(loss) before tax		**1,898**	**(37,848)**
Income tax expense	27	(3,272)	(14,273)
LOSS FOR THE YEAR		**(1,374)**	**(52,121)**
Other comprehensive income / (loss):			
Available-for-sale investments:			
- Gains less losses arising during the year	21	5,916	18,760
- Gains less losses recycled to profit or loss upon disposal	21	(4,130)	(21,167)
Other comprehensive income / (loss) for the year		**1,786**	**(2,407)**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		**412**	**(54,528)**

In millions of Belarusian roubles	**Note**	**Share capital**	**Revaluation reserve for investment securities available for sale**	**Accumulated deficit**	**Total equity**
At 1 January 2011		**286,575**	**1,354**	**(103,318)**	**184,611**
Loss for the year		-	-	(52,121)	(52,121)
Other comprehensive loss	21	-	(2,407)	-	(2,407)
Total comprehensive loss for 2011		-	(2,407)	(52,121)	(54,528)
Share issue	20	134,000	-	-	134,000
Transfer from accumulated deficit to share capital	20	14,816	-	(14,816)	-
Dividends declared and paid	28	-	-	(18,664)	(18,664)
Balance at 31 December 2011		**435,391**	**(1,053)**	**(188,919)**	**245,419**
Loss for the year		-	-	(1,374)	(1,374)
Other comprehensive income	21	-	1,786	-	1,786
Total comprehensive income for 2012		-	1,786	(1,374)	412
Share issue	20	34,491	-	-	34,491
Dividends declared and paid	28	-	-	(16,873)	(16,873)
Balance at 31 December 2012		**469,882**	**733**	**(207,166)**	**263,449**

In millions of Belarusian roubles	Note	2012	2011
Cash flows from operating activities			
Interest received		290,532	233,371
Interest paid		(235,398)	(165,646)
Fees and commissions received		133,882	96,557
Fees and commissions paid		(18,472)	(36,234)
Income received from financial derivatives		12,723	303,605
Income received from trading in foreign currencies		47,448	46,551
Other operating income received		3,180	5,072
Staff costs paid		(62,657)	(55,714)
Administrative and other operating expenses paid		(86,828)	(72,484)
Effect on monetary position		74,792	216,938
Income tax paid		(13,089)	(14,523)
Cash flows from operating activities before changes in operating assets and liabilities		**146,113**	**557,493**
Net (increase)/decrease in:			
- mandatory balances in central bank		(10,822)	(7,164)
- due from other banks		(1,720)	14,530
- loans and advances to customers		(215,057)	330,266
- other financial assets		23,325	3,429
- other assets		24,638	(88,066)
Net increase/(decrease) in:			
- due to other banks		89,748	(687,069)
- customer accounts		2,880	342,985
- debt securities in issue		(156,016)	(82,640)
- other financial liabilities		(27,804)	92,963
- other liabilities		4,234	167
Net cash from/(used in) operating activities		**(120,481)**	**476,894**
Cash flows from investing activities			
Acquisition of investment securities available for sale		(375,224)	(256,922)
Proceeds from disposal and redemption of investment securities available for sale		402,333	315,383
Acquisition of premises, equipment and intangible assets	11	(17,742)	(15,446)
Proceeds from disposal of premises, equipment and intangible assets		2,143	84
Net cash from investing activities		**11,510**	**43,099**
Cash flows from financing activities			
Proceeds from subordinated debt		-	46,347
Repayment of subordinated debt		-	(91,378)
Issue of ordinary shares	20	34,491	134,000
Dividends paid	28	(16,873)	(18,664)
Net cash from financing activities		**17,618**	**70,305**
Effect of exchange rate changes on cash and cash equivalents		9,714	130,693
Monetary loss on cash and cash equivalents		(139,944)	(220,425)
Net increase/(decrease) in cash and cash equivalents		**(221,583)**	**500,566**

In millions of Belarusian roubles	**Note**	**2012**	**2011**
Cash and cash equivalents at the beginning of the year		750,295	249,729
Cash and cash equivalents at the end of the year	**3, 7**	**528,712**	**750,295**

Financing transactions that did not require the use of cash and cash equivalents were excluded from the statement of cash flows and are disclosed in Note 7.

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2012 for Closed Joint-Stock Company «Alfa-Bank» (the “Bank”).

Closed Joint Stock-Company “Alfa-Bank” (former title “International Trade and Investment Bank”) (the “Bank”) was registered by the National Bank of the Republic of Belarus (the “National Bank of Belarus”) on 28 January 1999 as a closed joint-stock company with foreign capital participation. In July 2008 the Bank was acquired by the consortium Alfa-Group as a result of which the Bank registered a new name – Closed Joint Stock-Company “Alfa-Bank”.

As at 31 December 2012 and 2011 the following shareholders owned the issued shares of the Bank:

	2012	2011
ABH Belarus Limited, Cyprus	79.0	97.9
Open Joint-stock company "Alfa-Bank", Russia	19.3	-
Vikash Investments Limited, Great Britain	1.3	1.6
Republican Unitary Enterprise “Byelorussian Steel works”, Belarus	0.3	0.4
Individuals	0.1	0.1
Total	**100.0**	**100.0**

The ultimate controlling parties of the Bank as at 31 December 2012 and 2011 were the owners of the consortium Alfa-Group: Mr. Michail Maratovich Fridman, Mr. German Borisovich Khan and Mr. Aleksei Viktorovich Kuzmichev (citizens of the Russian Federation).

Principal activity. The Bank’s principal business activity is commercial and retail banking operations within the Republic of Belarus. The Bank conducts its business under the license for performing banking operations # 22 issued by the National Bank of Belarus on 13 November 2008. The Bank also has the licence of the State Securities Committee of the Republic of Belarus for intermediary, commercial and consulting activities on securities market of the Republic of Belarus.

The Bank’s primary areas of operations include transferring payments, lending, foreign currency operations upon demand of its customers and on interbank market. The licence allows the Bank to maintain accounts and attract term deposits from individuals and corporate customers. The State Agency of Guaranteed Compensation of Individual Deposits guarantees repayment of 100% of individual deposits in the case of the withdrawal of a licence of a bank or a state imposed moratorium on payments.

As at 31 December 2012 the Bank had 14 banking service offices in the Republic of Belarus (2011:14).

The average number of employees of the Bank during 2012 and 2011 was 620 and 666 respectively.

As at 31 December 2012 and 2011 the Bank has neither subsidiaries nor associates.

Registered address and place of business. The Bank’s registered address is: 70 Miasnikova Str., Minsk, Republic of Belarus.

Presentation currency. These financial statements are presented in millions of Belarusian Roubles ("BYR"), unless otherwise stated.

2 Operating Environment of the Bank

Republic of Belarus. The Republic of Belarus displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation which contributes to the challenges faced by banks operating in the Republic of Belarus (Note 32).

The ongoing uncertainty and volatility of the financial markets, in particular in Europe, and other risks could have significant negative effects on the Belorussian financial and corporate sectors. Management determined loan impairment provisions using the ‘incurred loss’ model required by the applicable accounting standards. These standards require recognition of impairment losses that arose from past events and prohibit recognition of impairment losses that could arise from future events, including future changes in the economic environment, no matter how likely those future events are. Thus final impairment losses from financial assets could differ significantly from the current level of provisions. Refer to Note 4.

The future economic development of the Republic of Belarus is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Bank’s business in the current business and economic environment.

3 Summary of Significant Accounting Policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of available-for-sale financial assets, and financial instruments categorised at fair value through profit or loss. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Hyperinflation accounting. In 2011 the economy of Belarus was recognised as hyperinflationary since numerous characteristics of the economic environment provided in IAS 29 “Financial Reporting in Hyperinflationary Economies” have been met. Those characteristics have been met in 2012 as well. Following this recognition, the Bank restated its financial statements in accordance with IAS 29. This standard requires that financial statements of the entity, whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of the measuring unit current at the end of the reporting period.

In accordance with IAS 29, the Bank’s financial statements and the corresponding figures for the previous periods have been restated for the change in the general purchasing power of the Belarusian rouble and, as a result, have been presented in terms of the measuring unit current at the end of the reporting period:

a) Statement of financial position amounts not already expressed in terms of the measuring unit current at the end of the reporting period are restated by applying a price index from the month of acquisition. The restated amount of a non-monetary item is reduced in accordance with appropriate IFRS, when it exceeds its recoverable amount;
b) Monetary items are not restated because they are already expressed in terms of the monetary unit current at the end of the reporting period;
c) Items in the statement of comprehensive income are restated by applying the change in the price index from the month when the items of income and expenses were initially recorded in the financial statements;
d) The Bank’s monetary assets exceed its monetary liabilities which results in loosing purchasing power in a period of inflation. The corresponding loss on net monetary position is included in profit or loss and is separately disclosed;

e) All items in the statement of cash flows are restated to be expressed in terms of the measuring unit current at the end of the reporting period. Monetary loss is presented as effect of inflation as a reconciling item in the cash and cash equivalents reconciliation;
f) Corresponding figures for the previous reporting period are restated by applying a price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period;
g) Some of the Bank's assets and liabilities are based on a historic cost approach, but some items in the statement of financial position are based on a current cost approach.

The Bank has chosen Belarusian average monthly consumer price index as a general price index for restatement of these financial statements. The restatement is based on monthly conversion factors derived from the Consumer Price Index (CPI) compiled by the National Statistical Committee of the Republic of Belarus. The indices and conversion factors used are as follows:

Year	Annual change in Consumer Price Index, % (Inflation in %)	Consumer Price Index accumulated at year end from 31 December 2005	Conversion factor from the end of the year till 31 December 2012
2012	21.8%	416.7	1.000
2011	108.7%	342.1	1.218
2010	9.9%	163.9	2.542
2009	10.1%	149.1	2.795
2008	13.3%	135.4	3.078
2007	12.1%	119.5	3.487
2006	6.6%	106.6	3.909
2005		100.0	4.167

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value, cost, or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and the current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions, and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure at fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Initial recognition of financial instruments. Derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Bank uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards, which are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using the valuation technique. Any such differences are amortised on a straight line basis over the term of the currency swaps, foreign exchange forwards.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are convertible to known amounts of cash within a day and which are subject to an insignificant risk of changes in value. All short-term placements with other banks, beyond overnight placements, are included in due from other banks. Amounts which relate to funds that are of a restricted nature are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Mandatory cash balances with the National Bank of Belarus. Mandatory cash balances with the National Bank of Belarus represent mandatory reserve deposits with the Central Bank of the Republic of Belarus, which are not available to finance the Bank's day-to-day operations and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows. Mandatory cash balances with the National Bank of Belarus are carried at amortised cost.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Bank determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Bank considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is an adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower; or
- the value of collateral significantly decreases as a result of deteriorating market conditions.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment, are estimated on the basis of the contractual cash flows of the assets and the experience of management in respect of the extent to which amounts will become overdue as a result of past loss events and the success of recovery of overdue amounts. Past experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect past periods, and to remove the effects of past conditions that do not exist currently.

If the terms of an impaired financial asset held at amortised cost are renegotiated or otherwise modified because of financial difficulties of the borrower or issuer, impairment is measured using the original effective interest rate before the modification of terms. The renegotiated asset is then derecognized and a new asset is recognized at its fair value only if the risks and rewards of the asset substantially changed.

This is normally evidenced by a substantial difference between the present values of the original cash flows and the new expected cash flows.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

Uncollectible assets are written off against the related allowance for impairment after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment or inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Credit related commitments. The Bank issues financial guarantees and commitments to provide loans. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

In cases where the fees are charged periodically in respect of an outstanding commitment, they are recognised as revenue on a time proportion basis over the respective commitment period.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is calculated using the effective interest method, and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Bank’s right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognised in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognised in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Investments classified as loans and receivables. Debt investment securities are classified by the Bank into “loans and receivables” measurement category if there is no active market for such securities and the Bank does not intend to sell them immediately or in the nearest term.

Such investment securities are accounted at amortised costs similarly to loans and advances to customers and disclosed within “Loans and advances to customers” line in the statement of financial position.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Bank, are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Premises and equipment. Premises and equipment are stated at cost restated to the equivalent purchasing power of the Belarusian Rouble at 31 December 2012 according to IAS 29 "Financial Reporting in Hyperinflationary Economies" as noted above, less accumulated depreciation and provision for impairment, where required.

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

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Construction in progress is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives:

	Useful lives in years
Premises	9 to 125
Office and computer equipment	4 to 50

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. The Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 2 to 10 years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Finance lease receivables. Where the Bank is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease. Finance income from leases is recorded within interest income in profit or loss for the year.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of finance lease receivables. The Bank uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred, as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred), discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Debt securities in issue*.* Debt securities in issue include bonds and debentures issued by the Bank. Debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from early retirement of debt.

Subordinated debt. Subordinated debt ranks behind all other creditors in case of liquidation. Subordinated debt is carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts and currency and interest rate swaps are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses from financial derivatives). The Bank does not apply hedge accounting.

Income taxes. Income taxes have been provided for in the financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse.

Deferred tax assets for deductible temporary differences are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the financial statements are authorised for issue, are disclosed in the subsequent events note. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Belarusian legislation identifies current year net profit as the basis for distribution.

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to the present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees relating to investment funds are recorded rateably over the period that the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continually provided over an extended period of time.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and the Bank's presentation currency is the national currency of the Republic of Belarus, Belarusian rouble ("BYR").

Monetary assets and liabilities are translated into the Bank's functional currency at the official exchange rate of the National Bank of Belarus at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Bank's functional currency at year-end official exchange rates of the National Bank of Belarus, are recognised in profit or loss for the year (as foreign exchange translation gains less losses). Translation at year-end rates does not apply to non-monetary items that are measured at historical cost. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

At 31 December 2012, the principal rate of exchange used for translating foreign currency balances was USD 1 = BYR 8,570 (2011: USD 1 = BYR 8,350). The principal average rate of exchange used for translating income and expenses was USD 1 = BYR 8,336 (2011: USD 1 = BYR 4,623).

Fiduciary assets. Assets held by the Bank in its own name, but on the account of third parties, are not reported in the statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Staff costs and related contributions. Wages, salaries, contributions to the Republic of Belarus state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

***Segment reporting*.** Segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. The following table provides information for each line item in the statement of financial position which combines amounts expected to be recovered or settled before and after twelve months after the reporting period:

	31 December 2012			31 December 2011		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
In millions of Belarusian roubles	Within 12 months after the reporting period	After12 months after the reporting period	Total	Within 12 months after the reporting period	After12 months after the reporting period	Total
ASSETS						
Cash and cash equivalents	528,712	-	528,712	750,295	-	750,295
Mandatory cash balances with the National Bank of Belarus	-	24,004	24,004	-	13,182	13,182
Due from other banks	10,584	-	10,584	7,456	-	7,456
Loans and advances to customers	1,486,708	202,029	1,688,737	1,246,879	211,870	1,458,749
Investment securities available for sale	88,038	100,776	188,814	84,521	122,519	207,040
Derivative financial assets	-	55,422	55,422	-	60,576	60,576
Current income tax asset	8,468	-	8,468	-	-	-
Deferred income tax asset	-	1,600	1,600	-	4,872	4,872
Premises, equipment and intangible assets	-	102,549	102,549	-	99,251	99,251
Other financial assets	69,988	40	70,028	115,579	200	115,779
Other assets	24,344	-	24,344	4,897	4,069	8,966
TOTAL ASSETS	**2,216,842**	**486,420**	**2,703,262**	**2,209,627**	**516,539**	**2,726,166**
LIABILITIES						
Due to other banks	167,012	45,770	212,782	100,565	37,810	138,375
Customer accounts	1,858,774	130,334	1,989,108	1,787,457	115,218	1,902,675
Debt securities in issue	78,603	-	78,603	128,921	102,518	231,439
Derivative financial liabilities	134	-	134	269	-	269
Current income tax liability	-	-	-	4,621	-	4,621
Other financial liabilities	76,499	5,873	82,372	117,985	950	118,935
Other liabilities	11,284	-	11,284	7,273	-	7,273
Subordinated debt	-	65,530	65,530	-	77,160	77,160
TOTAL LIABILITIES	**2,192,306**	**247,507**	**2,439,813**	**2,147,091**	**333,656**	**2,480,747**

Changes in presentation. No reclassifications have been made to the financial statements as at 31 December 2011 and for the year then ended to conform to the current year presentation.

Amendments of the financial statements after issue. The Bank’s shareholders and management have the power to amend the financial statements after issue.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

A 10% increase or decrease in actual loss experience compared to the loss estimates used would result in an increase or decrease in loan impairment losses of BYR 180,290 million (2011: BYR 150,658 million), respectively.

Fair value of derivatives. The fair values of financial derivatives that are not quoted in active markets are determined by using valuation techniques. Valuation of financial derivatives is applied to foreign exchange forward contracts and swaps. The fair value of these transactions is determined as the difference between the present value of fixed receivable and the present value of fixed payable. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. Models use only observable data, however areas such as credit risk (both own and counterparty), volatilities and correlations require Management to make estimates. Changes in assumptions about these factors could affect reported fair values. Any over or under estimation of these future cash flows could require a material adjustment to the carrying value of these derivatives.

The currency swap with the National Bank of Belarus is categorised under the third level of fair value hierarchy since their fair value is assessed with significant non-observable inputs (Level 3). The Bank used discounting cash flow technique to determine the fair value of this swap. Interest rates used in this assessment are based on the Bank’s judgment for long-term cost of borrowing in Belarusian roubles and placement in US dollars. Information about fair values of the swap with the National Bank of Belarus valued using assumptions that are not based on observable market data and its sensitivity to reasonably possible changes in assumptions is disclosed in Note 34.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 36.

5 Adoption of New or Revised Standards and Interpretations

The following new standards and interpretations became effective for the Bank from 1 January 2012:

“Disclosures—Transfers of Financial Assets” – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party, yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised, but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The standard requires these new disclosures to be presented in a separate note. This amendment had no affect on the Bank’s financial statements.

Other revised standards and interpretations: The amendments to IFRS 1 “First-time adoption of IFRS”, relating to severe hyperinflation and eliminating references to fixed dates for certain exceptions and exemptions, did not have any impact on these financial statements. The amendment to IAS 12 “Income taxes”, which introduced a rebuttable presumption that an investment property carried at fair value is recovered entirely through sale, did not have a material impact on these financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2013 or later, and which the Bank has not early adopted.

IFRS 9 “Financial Instruments Part 1: Classification and Measurement”. IFRS 9, issued in November 2010, replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities and in December 2011 to (i) change its effective date to annual periods beginning on or after 1 January 2015 and (ii) add transition disclosures. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity’s business model is to hold the asset to collect the contractual cash flows, and (ii) the asset’s contractual cash flows represent payments of principal and interest only (that is, it has only “basic loan features”). All other debt instruments are to be measured at fair value through profit or loss.

- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted. The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

IFRS 10 “Consolidated Financial Statements“ (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces all of the guidance on control and consolidation in IAS 27 “Consolidated and separate financial statements” and SIC-12 “Consolidation - special purpose entities”. IFRS 10 changes the definition of control so that the same criteria are applied to all entities to determine control. This definition is supported by extensive application guidance. The Bank expects that the amended standard will have no impact on the Bank’s financial statements.

IFRS 11 “Joint Arrangements“, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), replaces IAS 31 “Interests in Joint Ventures” and SIC-13 “Jointly Controlled Entities—Non-Monetary Contributions by Venturers”. Changes in the definitions have reduced the number of types of joint arrangements to two: joint operations and joint ventures. The existing policy choice of proportionate consolidation for jointly controlled entities has been eliminated. Equity accounting is mandatory for participants in joint ventures. The Bank expects that the amended standard will have no impact on the Bank’s financial statements.

IFRS 12 “Disclosure of Interests in Other Entities“, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. It replaces the disclosure requirements currently found in IAS 28 “Investments in associates”. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. To meet these objectives, the new standard requires disclosures in a number of areas, including significant judgements and assumptions made in determining whether an entity controls, jointly controls, or significantly influences its interests in other entities, extended disclosures on share of non-controlling interests in group activities and cash flows, summarised financial information of subsidiaries with material non-controlling interests, and detailed disclosures of interests in unconsolidated structured entities. The Bank expects that the standard will have no impact on the Bank’s financial statements.

IFRS 13 “Fair Value Measurement“, (issued in May 2011 and effective for annual periods beginning on or after 1 January 2013), aims to improve consistency and reduce complexity by providing a revised definition of fair value, and a single source of fair value measurement and disclosure requirements for use across IFRSs. The Bank expects that the standard will have no impact on the Bank’s financial statements.

IAS 27 “Separate Financial Statements“, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013), was changed and its objective is now to prescribe the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The guidance on control and consolidated financial statements was replaced by IFRS 10 “Consolidated Financial Statements”. The Bank expects that the revised standard will have no impact on the Bank’s financial statements.

IAS 28 “Investments in Associates and Joint Ventures“, (revised in May 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment of IAS 28 resulted from the Board’s project on joint ventures. When discussing that project, the Board decided to incorporate the accounting for joint ventures using the equity method into IAS 28 because this method is applicable to both joint ventures and associates. With this exception, other guidance remained unchanged. The Bank expects that the revised standard will have no impact on the Bank’s financial statements.

Amendments to IAS 1 “Presentation of Financial Statements“ (issued in June 2011, effective for annual periods beginning on or after 1 July 2012), changes the disclosure of items presented in other comprehensive income. The amendments require entities to separate items presented in other comprehensive income into two groups, based on whether or not they may be reclassified to profit or loss in the future. The suggested title used by IAS 1 has changed to ‘statement of profit or loss and other comprehensive income’. The Group expects the amended standard to change presentation of its financial statements, but have no impact on measurement of transactions and balances.

Amended IAS 19 “Employee Benefits“ (issued in June 2011, effective for periods beginning on or after 1 January 2013), makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits. The standard requires recognition of all changes in the net defined benefit liability (asset) when they occur, as follows: (i) service cost and net interest in profit or loss; and (ii) remeasurements in other comprehensive income. The Bank expects that the amended standard will have no impact on the Bank’s financial statements.

“Disclosures - Offsetting Financial Assets and Financial Liabilities“ - Amendments to IFRS 7 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2013). The amendment requires disclosures that will enable users of an entity’s financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off. The Bank expects that the amendment will have no impact on the Bank’s financial statements.

“Offsetting Financial Assets and Financial Liabilities“ - Amendments to IAS 32 (issued in December 2011 and effective for annual periods beginning on or after 1 January 2014). The amendment added application guidance to IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. This includes clarifying the meaning of ‘currently has a legally enforceable right of set-off’ and that some gross settlement systems may be considered equivalent to net settlement. The Bank expects that the amendment will have no impact on the Bank’s financial statements.

Improvements to International Financial Reporting Standards (issued in May 2012 and effective for annual periods beginning 1 January 2013). The improvements consist of changes to five standards. IFRS 1 was amended to (i) clarify that an entity that resumes preparing its IFRS financial statements may either repeatedly apply IFRS 1 or apply all IFRSs retrospectively as if it had never stopped applying them, and (ii) to add an exemption from applying IAS 23 “Borrowing costs”, retrospectively by first-time adopters. IAS 1 was amended to clarify that explanatory notes are not required to support the third balance sheet presented at the beginning of the preceding period when it is provided because it was materially impacted by a retrospective restatement, changes in accounting policies or reclassifications for presentation purposes, while explanatory notes will be required when an entity voluntarily decides to provide additional comparative statements. IAS 16 was amended to clarify that servicing equipment that is used for more than one period is classified as property, plant and equipment rather than inventory. IAS 32 was amended to clarify that certain tax consequences of distributions to owners should be accounted for in the income statement as was always required by IAS 12. IAS 34 was amended to bring its requirements in line with IFRS 8. IAS 34 will require disclosure of a measure of total assets and liabilities for an operating segment only if such information is regularly provided to chief operating decision maker and there has been a material change in those measures since the last annual financial statements. The Bank is currently assessing the impact of the amendments on its financial statements.

Transition Guidance Amendments to IFRS 10, IFRS 11 and IFRS 12 (issued in June 2012 and effective for annual periods beginning 1 January 2013). The amendments clarify the transition guidance in IFRS 10 “Consolidated Financial Statements”. Entities adopting IFRS 10 should assess control at the first day of the annual period in which IFRS 10 is adopted, and if the consolidation conclusion under IFRS 10 differs from IAS 27 and SIC 12, the immediately preceding comparative period (that is, year 2012 for a calendar year-end entity that adopts IFRS 10 in 2013) is restated, unless impracticable. The amendments also provide additional transition relief in IFRS 10, IFRS 11 “Joint Arrangements” and IFRS 12 “Disclosure of Interests in Other Entities”, by limiting the requirement to provide adjusted comparative information only for the immediately preceding comparative period. Further, the amendments will remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 is first applied. The Bank expects that the amendments will have no impact on the Bank’s financial statements.

Amendments to IFRS 1 “First-time adoption of International Financial Reporting Standards - Government Loans“ (issued in March 2012 and effective for annual periods beginning 1 January 2013). The amendments, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRSs relief from full retrospective application of IFRSs when accounting for these loans on transition. This will give first-time adopters the same relief as existing preparers. The Bank expects that the amendment will have no impact on the Bank’s financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 - Investment entities (effective for annual periods beginning on or after 1 January 2014). The amendment introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity will be required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. The Bank expects that these amendments will have no impact on the Bank’s financial statements.

Other revised standards and interpretations: IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine“, considers when and how to account for the benefits arising from the stripping activity in mining industry. The interpretation will not have an impact on the Bank’s financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank’s financial statements.

7 Cash and Cash Equivalents

In millions of Belarusian roubles	**2012**	**2011**
Cash on hand	89,313	109,000
Correspondent accounts with the National Bank of Belarus	217,384	281,070
Receivable from the National Bank of Belarus under settlements for trading at Belarusian foreign currency and stock exchange	36,487	-
Correspondent accounts and overnight placements with other banks	185,528	360,225
Total cash and cash equivalents	**528,712**	**750,295**

The credit quality of cash and cash equivalents balances may be summarised based on ratings of international rating agencies as follows at 31 December 2012:

In millions of Belarusian roubles	**Correspondent accounts with the National Bank of Belarus**	**Receivable from the National Bank of Belarus under settlements for trading at Belarusian foreign currency and stock exchange**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
- National Bank of Belarus	217,384	36,487	-	**253,871**
- A- to A+ rated	-	-	68,638	**68,638**
- BBB	-	-	3	**3**
- <BBB	-	-	111,032	**111,032**
- Unrated	-	-	5,855	**5,855**
Total cash and cash equivalents, excluding cash on hand	**217,384**	**36,487**	**185,528**	**439,399**

The credit quality of cash and cash equivalents balances may be summarised based ratings of international rating agencies as follows at 31 December 2011:

In millions of Belarusian roubles	**Correspondent accounts with the National Bank of Belarus**	**Receivable from the National Bank of Belarus under settlements for trading at Belarusian foreign currency and stock exchange**	**Correspondent accounts and overnight placements with other banks**	**Total**
Neither past due nor impaired				
- National Bank of Belarus	281,070	-	-	281,070
- A- to A+ rated	-	-	223,012	223,012
- BBB	-	-	2	2
- <BBB	-	-	106,374	106,374
- Unrated	-	-	30,837	30,837
Total cash and cash equivalents, excluding cash on hand	**281,070**	**-**	**360,225**	**641,295**

The credit ratings are based on Standard & Poor’s ratings where available, or Moody’s rating converted to the nearest equivalent on the Standard & Poor’s rating scale.

The cash and cash equivalents are not secured with collateral.

Investing and financing transactions that did not require the use of cash and cash equivalents, and were excluded from the statement of cash flows are as follows:

In millions of Belarusian roubles	**2012**	**2011**
Non-cash financing activities		
Issue of ordinary shares in the form of transfer from accumulated deficit	-	14,816
Non-cash financing activities	**-**	**14,816**

As at 31 December 2012 and 2011 cash and cash equivalents included balances in the amount of BYR 334,821 million (76%) and BYR 610,197 million (95%) placed with 3 banks (2011: 8 banks) respectively, which represents significant concentration.

Interest rate analysis of cash and cash equivalents is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

8 Due from Other Banks

In millions of Belarusian roubles	2012	2011
Placements with other banks as collateral	10,584	7,456
Total due from other banks	**10,584**	**7,456**

Amounts due from other banks are not collateralised. Analysis by credit quality of amounts due from other banks outstanding at 31 December 2012 and 2011 is as follows:

In millions of Belarusian roubles	2012	2011
Neither past due nor impaired		
- Belarusian bank	10,584	7,456
Total due from other banks	**10,584**	**7,456**

The primary factor that the Bank considers in determining whether a deposit is impaired is its overdue status. There were no overdue amounts due from other banks at 31 December 2012 and 2011. There was no allowance for impairment of due from other banks in 2012 and 2011. At 31 December 2012 and 2011 the Bank had balances with 1 counterparty bank.

Refer to Note 34 for the estimated fair value of each class of amounts due from other banks. Interest rate analysis of due from other banks is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

9 Loans and Advances to Customers

In millions of Belarusian roubles	2012	2011
Corporate loans	1,386,768	1,274,681
Loans to small and medium enterprises (SME)	232,154	118,016
Finance lease receivables	31,982	4,466
Corporate bonds classified as loans and receivables	103,079	110,331
Loans to individuals	48,912	49,081
Less: Allowance for loan impairment	(114,158)	(97,826)
Total loans and advances to customers	**1,688,737**	**1,458,749**

In millions of Belarusian Rubles	2012	2011
Loans to individuals - car loans	8,213	23,496
Loans to individuals - mortgage loans	6,849	10,619
Loans to individuals - credit cards	8,265	8,394
Loans to individuals - consumer loans	25,585	6,572
Less: Allowance for loan impairment	(3,385)	(5,336)
Total loans to individuals	**45,527**	**43,745**

Movements in the allowance for loan impairment during 2012 are as follows:

In millions of Belarusian roubles	**Corporate loans**	**Loans to small and medium enterprises (SME)**	**Finance lease receivables**	**Corporate bonds classified as loans and receivables**	**Loans to individuals**	**Total**
Allowance for loan impairment at 1 January 2012	**52,775**	**4,061**	**99**	**35,555**	**5,336**	**97,826**
(Release of)/provision for impairment during the year*	(8,022)	7,632	952	30,377	(336)	**30,603**
Amounts written off during the year as uncollectible	-	-	-	-	(690)	**(690)**
Currency translation differences	2,186	150	82	1,478	30	**3,926**
Monetary gain	(9,439)	(732)	(18)	(6,363)	(955)	**(17,507)**
Allowance for loan impairment at 31 December 2012	**37,500**	**11,111**	**1,115**	**61,047**	**3,385**	**114,158**

*The provision for impairment during 2012 differs from the amount presented in profit or loss for the year due to BYR 1,530 million, recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provision for impairment line in profit or loss for the year.

Movements in the allowance for loan impairment during 2011 are as:

In millions of Belarusian roubles	**Corporate loans**	**Loans to small and medium enterprises (SME)**	**Finance lease receivables**	**Corporate bonds classified as loans and receivables**	**Loans to individuals**	**Total**
Allowance for loan impairment at 1 January 2011	30,997	5,455	51	-	6,216	42,719
(Release of)/provision for impairment during the year*	24,484	842	68	28,423	1,854	55,671
Amounts written off during the year as uncollectible	-	(343)	-	-	(1,706)	(2,049)
Currency translation differences	13,441	949	4	7,132	2,211	23,737
Monetary gain	(16,147)	(2,842)	(24)	-	(3,239)	(22,252)
Allowance for loan impairment at 31 December 2011	**52,775**	**4,061**	**99**	**35,555**	**5,336**	**97,826**

*The provision for impairment during 2011 differs from the amount presented in profit or loss for the year due to BYR 3,470 million, recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provision for impairment line in profit or loss for the year.

Economic sector risk concentrations within the Bank's loan portfolio are as follows:

	2012		2011	
In millions of Belarusian Rubles	**Amount**	**%**	**Amount**	**%**
Trade and commerce	789,260	44%	592,037	38%
Machinery and metal working industry	450,235	25%	391,298	25%
Food industry	127,415	7%	137,260	9%
Chemical and petrochemical industry	112,127	6%	200,983	13%
Timber industry	55,561	3%	1,270	0%
Individuals	48,912	3%	49,081	3%
Power generation industry	35,462	2%	44,301	3%
Construction and real estate	13,416	1%	14,607	1%
Railway transport	674	0%	164	0%
Finance and investment companies	-	0%	471	0%
Other	169,833	9%	125,103	8%
Total loans and advances to customers (before impairment)	**1,802,895**	**100%**	**1,556,575**	**100%**

At 31 December 2012 the loans and advances to customers included loans to RUE "Gomselmash" and OJSC "BSW" in the amount of BYR 72,702 million and BYR 71,561 million respectively, which comprised 4% and 4% of the Bank's total loan portfolio.

At 31 December 2011 the loans and advances to customers included loans to LLC "Interservice", RUE "Gomselmash", OJSC "NPZ Mozyr" and OJSC "BSW" in the amount of BYR 91,768 million, BYR 86,912 million, BYR 85,711 million and BYR 77,462 million respectively, which comprised 6%, 6%, 6% and 5% of the Bank's total loan portfolio.

As at 31 December 2012 the Bank granted loans to 23 customers (2011: 18 customers), amounting to BYR 1,108,370 million (2011: BYR 924,238 million), which individually exceeded 10% of the Bank's equity and represented significant concentration.

Analysis by credit quality of loans outstanding at 31 December 2012 is as follows:

In millions of Belarusian Rubles	**Corporate loans**	**Loans to small and medium enterprises (SME)**	**Finance lease receivables**	**Corporate bonds classified as loans and receivables**	**Loans to individuals**	**Total**
Neither past due nor individually impaired						
- Rating I	262,624	21,153	3,726	-	-	287,503
- Rating II	331,819	38,742	11,160	-	-	381,721
- Rating III A	3,141	51,324	3,624	-	-	58,089
- Rating III B	8,960	37,455	2,478	-	-	48,893
- Rating IV	-	4,573	3,843	-	-	8,416
- Rating V	-	5,130	-	-		5,130
- Unrated	-	6,397	542	-	46,968	53,907
Total neither past due nor individually impaired	**606,544**	**164,774**	**25,373**	**-**	**46,968**	**843,659**
Past due but not impaired						
- less than 30 days overdue	-	4,184	-	-	1,662	5,846
- 30 to 90 days overdue	-	4	-	-	183	187
- 91 to 180 days overdue	-	-	-	-	73	73
- 180 to 360 days overdue	-	-	-	-	7	7
- over 360 days overdue	-	-	-	-	19	19
Total past due but not individually impaired	**-**	**4,188**	**-**	**-**	**1,944**	**6,132**
Loans individually determined to be impaired (gross)						
- current	780,224	57,695	6,609	43,089	-	887,617
- less than 30 days overdue	-	3,821	-	-	-	3,821
- 30 to 90 days overdue	-	1,676	-	-	-	1,676
- 90 to 180 days overdue	-	-	-	-	-	-
- 180 to 360 days overdue	-	-	-	-	-	-
- over 360 days overdue	-	-	-	59,990	-	59,990
Total individually impaired loans (gross)	**780,224**	**63,192**	**6,609**	**103,079**	**-**	**953,104**
Less allowance for impairment	**(37,500)**	**(11,111)**	**(1,115)**	**(61,047)**	**(3,385)**	**(114,158)**
Total loans and advances to customers	**1,349,268**	**221,043**	**30,867**	**42,032**	**45,527**	**1,688,737**

Analysis by credit quality of loans outstanding at 31 December 2011 is as follows:

In millions of Belarusian Rubles	**Corpo-rate loans**	**Loans to small and medium enterprises (SME)**	**Finance lease receivables**	**Corporate bonds classified as loans and receivables**	**Loans to individuals**	**Total**
Neither past due nor individually impaired						
- Rating I	166	7,575	307	-	-	8,048
- Rating II	65,941	14,136	1,915	-	-	81,992
- Rating III A	31,736	8,683	663	-	-	41,082
- Rating III B	17,546	15,203	1,581	-	-	34,330
- Rating IV	-	2,459	-	-	-	2,459
- Rating V	-	1,196	-	-	-	1,196
- Unrated	-	248	-	-	48,227	48,475
Total neither past due nor individually impaired	**115,389**	**49,500**	**4,466**	**-**	**48,227**	**217,582**
Past due but not impaired						
- less than 30 days overdue	-	102	-	-	765	867
- 30 to 90 days overdue	-	73	-	-	56	129
- 91 to 180 days overdue	-	-	-	-	33	33
- 181 to 360 days overdue	-	-	-	-	-	-
Total past due but not individually impaired	**-**	**175**	**-**	**-**	**854**	**1,029**
Loans individually determined to be impaired (gross)						
- current	1,159,292	68,341	-	81,204	-	1,308,837
- less than 30 days overdue	-	-	-	29,127	-	29,127
Total individually impaired loans (gross)	**1,159,292**	**68,341**	**-**	**110,331**	**-**	**1,337,964**
Less allowance for impairment	**(52,775)**	**(4,061)**	**(99)**	**(35,555)**	**(5,336)**	**(97,826)**
Total loans and advances to customers	**1,221,906**	**113,955**	**4,367**	**74,776**	**43,745**	**1,458,749**

The Bank applied the portfolio provisioning methodology prescribed by IAS 39, *Financial Instruments: Recognition and Measurement*, and created portfolio allowance for impairment losses that were incurred, but have not been specifically identified with any individual loan, by the end of the reporting period. The Bank’s policy is to classify each loan as ‘neither past due nor impaired’ until specific objective evidence of impairment of the loan is identified. The impairment allowance may exceed the total gross amount of individually impaired loans as a result of this policy and the portfolio impairment methodology.

The primary factors that the Bank considers in determining whether a loan is impaired are its overdue status and realisability of related collateral, if any. As a result, the Bank presents above an ageing analysis of loans that are individually determined to be impaired.

Past due, but not impaired, loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments plus loans collectively assessed for impairment.

The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

The financial effect of collateral is presented by disclosing impact of collateral and other credit enhancements on allowance for impairment recognised at the end of the reporting period. Without holding collateral and other credit enhancements, the allowance for impairment would be higher by the following amounts:

In millions of Belarusian Rubles	**2012**	**2011**
Corporate loans	43,342	48,705
Loans to small and medium enterprises (SME)	4,495	5,667
Finance lease receivables	43	-
Corporate bonds classified as loans and receivables	1,746	40,183

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In millions of Belarusian Rubles	**2012**	**2011**
Less than one year	17,467	3,648
From one year to five years	21,644	3,040
Minimum lease payments	**39,111**	**6,688**
Less: unearned finance income	(7,129)	(2,222)
Present value of lease payments receivable	**31,982**	**4,466**

As at 31 December 2012 and 2011 the Bank had a loan to JSC "Naftan" in the amount of BYR 41,933 million and BYR 36,674 million respectively, that was issued from funds provided by the National Bank of Belarus. In accordance with the agreement with the National Bank of Belarus the Bank's liabilities on the loan including interest repayment arise only after respective payments from JSC "Naftan" are received. Accordingly, the assets and liabilities on this agreement were derecognised in these financial statements.

As at 31 December 2012 the Bank didn't have other syndicated loans.

As at 31 December 2011 the Bank had syndicated loans granted to 4 borrowers. The loans were issued partly from the Bank's funds and partly from the funds of N.V. "Amsterdam Trade Bank" as detailed in the table below:

Borrower (legal entity registered in the Republic of Belarus)	**Counterparty bank**	**Share of funds provided by counterparty bank, in fractions**	**Share of funds provided by CJSC "Alfa-Bank", in fractions**	**Total loan balance as at 31 December 2011, BYR million**
OJSC "Naftan"	N. V. "Amsterdam Trade Bank"	599/600	1/600	640,098
OJSC "Mozyrski NPZ"	N. V. "Amsterdam Trade Bank"	499/500	1/500	562,366
OJSC "Beltransgaz"	N. V. "Amsterdam Trade Bank"	99/100	1/100	407,214
RUE "BSW"	N. V. "Amsterdam Trade Bank"	129/130	1/130	132,359

In accordance with the terms of agreements with the counterparty banks the Bank's liability to repay the funds provided by counterparty banks including interest repayment arise only after respective payments from the borrowers are received. Thus, the Bank bears credit risk on the respective borrowers listed above to the extent of its share of claims under the loan agreements with such borrowers. The Bank has an obligation to remit any cash flows collected from the borrowers which are due to counterparty banks without material delay, whereas counterparty banks bear credit risk on the respective borrowers listed above to the extent of their share in the loans.

Taking into account these facts, the part of the total loan assets to the extent of the share of funds provided by counterparty banks are derecognised altogether with respective liabilities before these counterparty banks in the Bank's financial statements.

N.V. "Amsterdam Trade Bank" and OJSC "Alfa Bank" (Russia) are related parties of the Bank.

Refer to Note 34 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

10 Investment Securities Available for Sale

In millions of Belarusian Rubles	**2012**	**2011**
Governmental and municipal bonds and Eurobonds	73,447	45,078
Eurobonds issued by Belarusian bank	61,817	72,404
Corporate bonds issued by Belarusian banks	26,220	84,521
Bonds of non-resident banks	22,983	-
Eurobonds issued by Russian company	4,347	4,983
Total debt securities	**188,814**	**206,986**
Corporate shares at cost	-	54
Total investment securities available for sale	**188,814**	**207,040**

Analysis by credit quality of debt securities outstanding at 31 December 2012 is as follows:

In millions of Belarusian Rubles	**Governmental and municipal bonds and Eurobonds**	**Eurobonds issued by Belarusian banks**	**Corporate bonds issued by Belarusian banks**	**Bonds of non-resident banks**	**Eurobonds issued by Russian company**	**Total**
Neither past due nor impaired						
- Belarus Government	73,447	-	-	-	-	73,447
- Top 10 Belarusian banks	-	61,817	26,220	-	-	88,037
- Russian company	-	-	-	-	4,347	4,347
- Non-resident banks	-	-	-	22,983	-	22,983
Total neither past due nor impaired	**73,447**	**61,817**	**26,220**	**22,983**	**4,347**	**188,814**
Total debt securities available for sale	**73,447**	**61,817**	**26,220**	**22,983**	**4,347**	**188,814**

Analysis by credit quality of debt securities outstanding at 31 December 2011 is as follows:

In millions of Belarusian Rubles	**Governmental and municipal bonds and Eurobonds**	**Eurobonds issued by Belarusian banks**	**Corporate bonds issued by Belarusian banks**	**Eurobonds issued by Russian company**	**Total**
Neither past due nor impaired					
- Belarus government	45,078	-	-	-	45,078
- Top 10 Belarusian banks	-	72,404	77,840	-	150,244
- Other Belarusian banks	-	-	6,681	-	6,681
- Russian company	-	-	-	4,983	4,983
Total neither past due nor impaired	**45,078**	**72,404**	**84,521**	**4,983**	**206,986**
Total debt securities available for sale	**45,078**	**72,404**	**84,521**	**4,983**	**206,986**

As at 31 December 2012 investment securities available for sale include credit notes issued by OJSC “Belagroprombank” in the amount of BYR 61,817 million and Governmental Eurobonds in the amount of BYR 5,941 million pledged under repurchase agreement with foreign customer.

As at 31 December 2011 investment securities available for sale included equity securities of “Business Collector” LLC (Russia) with a carrying value of BYR 54 million which were not publicly traded. Due to the nature of the financial markets, it was not possible to obtain current market value for these investments. These investment securities were stated at cost. In 2012 these securities were sold to the Bank’s parent.

Interest rate analysis of investment securities available for sale is disclosed in Note 30.

The Bank reclassified the following financial assets from the available-for-sale category to loans and receivables during 2011:

In millions of Belarusian Rubles	**Amount reclassified**	**Cash flows expected to be recovered (at the date of reclassification)**	**Effective interest rate**
Reclassified into loans and receivables			
Corporate bonds issued by Belarusian companies	145,136	145,136	11
Total	**145,136**	**145,136**	**11**

The carrying amounts and fair values of financial assets that have been reclassified from investment securities available for sale in 2011, and which were not yet sold or otherwise derecognised, were as follows:

	31 December 2011	
In millions of Belarusian Rubles	**Carrying value**	**Fair value**
Loans and receivables		
Corporate bonds issued by Belarusian companies	37,231	37,231
Total	**37,231**	**37,231**

There was no fair value gain or loss on these financial assets recognised in other comprehensive income up to the date of reclassification. There would be no fair value gain or loss that would have been recognised in other comprehensive income if the assets had not been reclassified.

The fair value gain or loss on these financial assets recognised in profit or loss up to the date of reclassification, income or loss recognised in profit or loss after reclassification, and fair value gain or loss that would have been recognised in profit or loss if the assets had not been reclassified, were as follows:

In millions of Belarusian Rubles	**The fair value gain/(loss) in profit or loss up to the date of reclassifi-cation (in 2011)***	**Income/(loss) recognised in profit or loss after reclassification* 2011**	**Gain/(loss) that would have been recognised in profit or loss if the assets had not been reclassified 2011**
Corporate bonds issued by Belarusian companies	-	(30,683)	(30,683)
Total	**-**	**(30,683)**	**(30,683)**

* Income or loss recognised in profit or loss for the year comprises interest income, foreign exchange gains less losses and impairment losses.

11 Premises, Equipment and Intangible Assets

In millions of Belarusian Rubles	**Note**	**Premi-ses**	**Office and computer equipment**	**Construc-tion in progress**	**Total premises and equipment**	**Intan-gible assets**	**Total**
Cost at 1 January 2011		39,084	73,034	6,916	119,034	20,705	139,739
Accumulated depreciation		(3,503)	(32,957)	-	(36,460)	(8,167)	(44,627)
Carrying amount at 1 January 2011		**35,581**	**40,077**	**6,916**	**82,574**	**12,538**	**95,112**
Additions		-	-	6,440	6,440	9,006	15,446
Transfers		4,525	6,229	(10,754)	-	-	-
Disposals		-	(74)	-	(74)	(1)	(75)
Depreciation charge	26	(638)	(8,324)	-	(8,962)	(2,270)	(11,232)
Carrying amount at 31 December 2011		**39,468**	**37,908**	**2,602**	**79,978**	**19,273**	**99,251**
Cost at 31 December 2011		43,609	76,727	2,602	122,938	28,866	151,804
Accumulated depreciation		(4,141)	(38,819)	-	(42,960)	(9,593)	(52,553)
Carrying amount at 31 December 2011		**39,468**	**37,908**	**2,602**	**79,978**	**19,273**	**99,251**
Additions		-	-	13,690	13,690	4,052	17,742
Transfers		10	7,509	(7,614)	(95)	95	**-**
Disposals		(930)	(287)	(83)	(1,300)	(8)	(1,308)
Depreciation charge	26	(1,253)	(8,815)	-	(10,068)	(3,068)	(13,136)
Carrying amount at 31 December 2012		**37,295**	**36,315**	**8,595**	**82,205**	**20,344**	**102,549**
Cost at 31 December 2012		42,630	79,967	8,595	131,192	32,821	164,013
Accumulated depreciation		(5,335)	(43,652)	-	(48,987)	(12,477)	(61,464)
Carrying amount at 31 December 2012		**37,295**	**36,315**	**8,595**	**82,205**	**20,344**	**102,549**

Construction in progress consists mainly of construction and refurbishment of branch premises and equipment. Upon completion, assets are transferred to premises and equipment.

12 Other Financial Assets

In millions of Belarusian Rubles	2012	2011
Settlements on conversion and other banking operations	64,581	102,868
Accrued commission and other income	12,286	20,432
Other financial debtors	142	400
Less: Allowance for impairment	(6,981)	(7,921)
Total other financial assets	**70,028**	**115,779**

Movements in the allowance for impairment of other financial assets during 2012 and 2011 are as follows:

In millions of Belarusian Rubles	2012	2011
Allowance for impairment at 1 January	**7,921**	**6,407**
Provision for impairment during the year	305	535
Currency translation differences	172	4,316
Monetary gain	(1,417)	(3,337)
Allowance for impairment at 31 December	**6,981**	**7,921**

Analysis by credit quality of other financial assets outstanding at 31 December 2012 is as follows:

In millions of Belarusian Rubles	Settlements on conversion and other banking operations	Accrued commission and other income	Other financial debtors	Total
Neither past due nor impaired				
Neither past due nor impaired with credit history	64,581	4,518	105	69,204
Total neither past due nor impaired	**64,581**	**4,518**	**105**	**69,204**
Past due but not impaired				
- over 360 days overdue	-	188	37	225
Total past due but not impaired	**-**	**188**	**37**	**225**
Receivables individually determined to be impaired (gross)				
- 181 to 360 days overdue	-	372	-	372
- over 360 days overdue	-	7,208	-	7,208
Total individually impaired (gross)	**-**	**7,580**	**-**	**7,580**
Less allowance for impairment	-	(6,859)	(122)	(6,981)
Total other financial receivables	**64,581**	**5,427**	**20**	**70,028**

Analysis by credit quality of other financial assets outstanding at 31 December 2011 is as follows:

In millions of Belarusian Rubles	**Settlements on conversion and other banking operations**	**Accrued commission and other income**	**Other financial debtors**	**Total**
Neither past due nor impaired				
Neither past due nor impaired with credit history	102,868	11,558	342	114,768
Total neither past due nor impaired	**102,868**	**11,558**	**342**	**114,768**
Past due but not impaired				
- over 360 days overdue	-	139	58	197
Total past due but not impaired	**-**	**139**	**58**	**197**
Receivables individually determined to be impaired (gross)				
- less than 30 days overdue	-	9	-	9
- 31 to 90 days overdue	-	71	-	71
- 91 to 180 days overdue	-	88	-	88
- 181 to 360 days overdue	-	26	-	26
- over 360 days overdue	-	8,541	-	8,541
Total individually impaired (gross)	**-**	**8,735**	**-**	**8,735**
Less allowance for impairment	**-**	**(7,863)**	**(58)**	**(7,921)**
Total other financial receivables	**102,868**	**12,569**	**342**	**115,779**

The primary factors that the Bank considers in determining whether a receivable is impaired are its overdue status and realisability of related collateral, if any. As a result, the Bank presents above an ageing analysis of receivables that are individually determined to be impaired.

Refer to Note 34 for the disclosure of the fair value of each class of other financial assets. Information on related party balances is disclosed in Note 36.

13 Other Assets

In millions of Belarusian Rubles	**2012**	**2011**
Taxes prepaid other than income taxes	8,616	1,419
Prepayments	15,210	2,590
Prepaid expenses	503	878
Repossessed collateral	-	4,070
Other	15	9
Total other assets	**24,344**	**8,966**

Repossessed collateral represents real estate assets acquired by the Bank in settlement of overdue loans. The Bank expects to dispose of the assets in the foreseeable future. The assets do not meet the definition of non-current assets held for sale, and are classified as inventories in accordance with IAS 2, *Inventories*. The assets were initially recognised at fair value when acquired.

All of the above assets as at 31 December 2012 are expected to be recovered less than twelve months after the year-end. Information on related party balances is disclosed in Note 36.

14 Due to Other Banks

In millions of Belarusian Rubles	2012	2011
Short-term placements of other banks	164,235	96,920
Long-term placements of other banks	45,770	39,151
Correspondent accounts and overnight placements of other banks	2,777	2,304
Total due to other banks	**212,782**	**138,375**

As at 31 December 2011 syndicated loans attracted from N.V. “Amsterdam Trade Bank” in the amount of BYR 1,734,656 million were derecognised altogether with the share of financing of these banks in respective “Loans and Advances to Customers” as described in Note 9.

As at 31 December 2012 and 2011 amounts due to banks included BYR 139,736 million (66%) due to three banks and BYR 135,125 million (98%) due to three banks, respectively, which represents significant concentration.

Refer to Note 34 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

15 Customer Accounts

In millions of Belarusian Rubles	2012	2011
Legal entities and organisations		
- Current/settlement accounts	633,251	642,724
- Term deposits	421,621	520,588
- Amounts attracted under direct repurchase agreements	64,933	-
Individuals		
- Current/demand accounts	510,571	437,663
- Term deposits	358,732	301,700
Total customer accounts	**1,989,108**	**1,902,675**

Amounts under repurchase agreement were attracted from 1 foreign customer and secured by investments securities as disclosed in Note 10.

Economic sector concentrations within customer accounts are as follows:

In millions of Belarusian Rubles	**2012**	**2011**
Individuals	869,303	739,363
Trade and commerce	372,884	373,991
Manufacturing	206,983	205,823
Construction and real estate	126,253	47,213
State and public organisations	122,319	76,472
Energy and oil and gas	108,200	115,090
Finance and investment companies	67,783	17,582
Food industry	14,248	4,073
Science	7,992	3,150
Transport	7,955	11,818
Mass media and telecommunication	3,120	181,120
Other	82,068	126,980
Total customer accounts	**1,989,108**	**1,902,675**

At 31 December 2012, included in customer accounts are deposits of BYR 88,116 million (2011: BYR 46,453 million) held as collateral for irrevocable commitments under import letters of credit. Refer to Note 32.

As at 31 December 2012 and 2011 customer accounts amounting to BYR 884,430 million (46%) were due to 12 customers, and BYR 177,752 million (9%), were due to 1 customer, respectively, which represented significant concentration.

Refer to Note 34 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

16 Debt Securities in Issue

In millions of Belarusian Rubles	**Nominal % rate**	**2012**	**Nominal % rate**	**2011**
Denominated in BYR with floating rate	30.0%	3,027	47.5%	37,916
Denominated in EUR with fixed rate	-	-	6.5%	91,004
Denominated in USD with fixed rate	7.5%	75,576	7.5%	102,519
Total debt securities in issue		**78,603**		**231,439**

At 31 December 2012, the Bank had debt securities in issue held by 1 counterparty (2011: 3 counterparties) amounting to BYR 59,389 million (2011: BYR 219,831 million), which individually exceeded 10% of the Bank’s equity and represents significant concentration. The aggregate amount of these balances was 76% (2011: 95%) of total debt securities in issue.

Refer to Note 34 for the disclosure of the fair value of each class of debt securities in issue. Interest rate analyses of debt securities in issue are disclosed in Note 30. Information on debt securities in issue held by related parties is disclosed in Note 36.

17 Other Financial Liabilities

Other financial liabilities comprise the following:

In millions of Belarusian Rubles	2012	2011
Settlements on conversion and other banking operations	61,704	99,067
Provision for credit related commitments	6,685	17,618
Other financial liabilities	13,983	2,250
Total other financial liabilities	**82,372**	**118,935**

Provision for credit related commitments represents specific provisions created for losses incurred on financial guarantees and letters of credit to extend credit to borrowers whose financial conditions deteriorated. Movements in the provision for impairment of credit related commitments are presented in Note 32.

Refer to Note 34 for disclosure of the fair value of each class of other financial liabilities.

18 Other Liabilities

Other liabilities comprise the following:

In millions of Belarusian Rubles	2012	2011
Salaries and unused vacation expense accrued	3,645	4,289
Amounts payable to Deposits guarantee fund	2,636	2,218
Taxes payable other than income tax	4,998	764
Other	5	2
Total other liabilities	**11,284**	**7,273**

All of the above liabilities are expected to be settled less than twelve months after the reporting date.

19 Subordinated Debt

In millions of Belarusian Rubles	Currency	Maturity Date	Fixed interest rate	2012	2011
ABH Belarus Limited	USD	30 June 2019	6.73%	25,710	30,510
ABH Belarus Limited	EUR	14 September 2018	6.71%	22,680	26,309
ABH Belarus Limited	USD	22 November 2018	5.00%	17,140	20,341
Total subordinated debt				**65,530**	**77,160**

Subordinated debt ranks after all other creditors in the case of liquidation.

Refer to Note 34 for the disclosure of the fair value of subordinated debt. Interest rate analysis of subordinated debt is disclosed in Note 30. Information on related party balances is disclosed in Note 36.

20 Share Capital

In millions of Belarusian Rubles except for number of shares	Number of outstanding shares	Ordinary shares	Hyperinflation adjustment	Total share capital
At 1 January 2011	**81,880,232**	**40,940**	**245,635**	**286,575**
New shares issued	179,387,387	89,694	44,306	134,000
Transfer from accumulated deficit to share capital	22,000,000	11,000	3,816	14,816
At 31 December 2011	**283,267,619**	**141,634**	**293,757**	**435,391**
At 1 January 2012	**283,267,619**	**141,634**	**293,757**	**435,391**
New shares issued	68,020,000	34,010	481	34,491
At 31 December 2012	**351,287,619**	**175,644**	**294,238**	**469,882**

The total authorised number of ordinary shares is 351,287,619 shares (2011: 283,267,619 shares), with a par value of BYR 500 per share (2010: BYR 500 per share). All issued ordinary shares are fully paid. Each ordinary share carries one vote.

In accordance with Belarusian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with Belarusian Accounting Rules. The Bank's reserves under Belarusian Accounting Rules at 31 December 2012 amount to BYR 54,907 million (2011: BYR 73,779 million on non-hyperinflated basis).

In 2011 the Bank's shareholders made a decision to increase the Bank's share capital by the transfer of part of retained earnings under Belarusian Accounting Rules in the amount of BYR 11,000 million (BYR 14,816 million if restated to year-end purchasing power under IFRS).

21 Other Comprehensive Income Recognised in Each Component of Equity

An analysis of other comprehensive income by item for each component of equity is as follows:

In millions of Belarusian Rubles	Revaluation reserve for Investment securities available for sale
Year ended 31 December 2011	
Investment securities available for sale:	
- Gains less losses arising during the year	18,760
- Gains less losses recycled to profit or loss upon disposal or impairment	(21,167)
Total other comprehensive loss	**(2,407)**
Year ended 31 December 2012	
Investment securities available for sale:	
- Gains less losses arising during the year	5,916
- Gains less losses recycled to profit or loss upon disposal or impairment	(4,130)
Total other comprehensive income	**1,786**

22 Interest Income and Expense

In millions of Belarusian Rubles	**2012**	**2011**
Interest income		
Loans and advances to legal entities	220,360	183,154
Debt investment securities available for sale	32,763	26,847
Due from other banks	19,977	18,294
Loans and advances to individuals	7,980	9,721
Cash and cash equivalents	1,271	1,047
Reverse repurchase with debt securities available for sale	-	1,368
Other	139	451
Total interest income	**282,490**	**240,882**
Interest expense		
Term deposits of legal entities	91,118	50,439
Current/settlement accounts of individuals	43,450	18,863
Term deposits of individuals	36,644	21,867
Due to other banks	21,518	38,118
Current/settlement accounts of legal entities	19,878	11,733
Debt securities in issue	18,247	19,226
Subordinated debt	4,025	5,307
Other	518	91
Total interest expense	**235,398**	**165,644**
Net interest income	**47,092**	**75,238**

23 Fee and Commission Income and Expense

In millions of Belarusian Rubles	**2012**	**2011**
Fee and commission income		
Cash and foreign currency exchange transactions	63,152	46,820
Settlement transactions	35,573	29,061
Organisation and administration of syndications	18,377	19,755
Documentary operations	9,671	5,896
Transactions with securities	124	912
Other	95	28
Total fee and commission income	**126,992**	**102,472**
Fee and commission expense		
Cash and foreign currency exchange transactions	10,702	29,487
Settlement transactions	2,663	2,468
Documentary operations	4,108	1,938
Transactions with securities	165	138
Other	1,311	2,141
Total fee and commission expense	**18,949**	**36,172**
Net fee and commission income	**108,043**	**66,300**

24 Loss on Monetary Position and Effect of Hyperinflation Adjustments

In millions of Belarusian Rubles	2012	2011
Monetary loss on opening monetary position	23,929	39,464
Monetary loss on contributions to share capital	481	24,753
Loss from change in monetary position due to income and expenses	7,956	34,475
Monetary gain on dividends declared	(2,327)	(7,414)
Monetary gain on additions of property, equipment and intangible assets	(859)	(1,793)
Total loss on monetary position	**29,180**	**89,485**

The effect of restatement in accordance with IAS 29 “Financial Reporting in Hyperinflationary Economies” on the Bank’s assets, liabilities, equity as at 31 December 2012 and its net income (loss) for the year then ended is presented in the following table:

In millions of Belarusian Rubles	Assets	Liabilities	Equity	Net income (loss)
Before application of IAS 29	2,656,520	2,439,810	216,710	33,584
Hyperinflation adjustments for premises, equipment and intangible assets	55,025	-	55,025	(7,848)
Loss on opening monetary position	-	-	-	(23,929)
Hyperinflation effect for contributions to share capital	-		-	(481)
Hyperinflation effect for dividends	-	-	-	2,327
Deferred tax on hyperinflation adjustments	(9,196)	-	(9,196)	(1,352)
Other hyperinflation adjustments	913	3	910	(3,675)
Reported in financial statements (after restatement in accordance with IAS 29)	**2,703,262**	**2,439,813**	**263,449**	**(1,374)**

25 Other Operating Income

In millions of Belarusian Rubles	2012	2011
Fines and penalties	1,255	1,866
Other income	202	232
Total other operating income	**1,457**	**2,098**

26 Administrative and Other Operating Expenses

In millions of Belarusian Rubles	**2012**	**2011**
Staff costs	62,012	57,647
Statutory social security	18,639	15,262
Rent expenses	17,806	15,573
Depreciation and Amortisation	13,136	11,232
Contributions to deposits protection fund	10,177	6,368
Computer and telecommunications expenses	7,853	5,899
Repairs and maintenance	5,629	3,167
Advertising and marketing	4,333	4,034
Consulting and professional services	3,469	2,374
Loss on disposal of other assets	2,813	6,096
Security	2,557	2,173
Utilities	2,339	2,012
Transport	1,271	1,357
Taxes other than income tax	1,056	1,234
Materials and Supplies	1,025	177
Other	7,783	7,587
Total administrative and other operating expenses	**161,898**	**142,192**

27 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In millions of Belarusian Rubles	**2012**	**2011**
Current tax	-	19,145
Deferred tax	3,272	(4,872)
Income tax expense for the year	**3,272**	**14,273**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Bank’s 2012 income is 18% (2011: 24%). Reconciliation between the expected and the actual taxation charge is provided below.

In millions of Belarusian Rubles	2012	2011
Profit/(loss) before tax	**1,898**	**(37,848)**
Theoretical tax charge (credit) at statutory rate (2012: 18%; 2011: 24%)	342	(9,084)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income on domestic securities which is exempt from taxation	(2,710)	(6,979)
- Non-deductible expenses	952	1,055
Capital investment allowance	-	(1,512)
Effect of changes in income tax rate	-	4,927
Reversal of statutory revaluation of property and equipment	(2,800)	(9,157)
Change in unrecognised deferred tax asset	(2,748)	(4,786)
IAS 29 – monetary (gain)/loss on share capital contributions and dividends	(332)	4,162
IAS 29 - loss on tax base of assets and liabilities	10,568	31,228
IAS 29 - restatement of current income tax	-	4,419
Income tax expense for the year	**3,272**	**14,273**

According to changes in Tax Code of the Republic of Belarus, the income tax rate applicable to Bank’s activity amounts to 26.28% in 2009 and 2010 years, 24% in 2011 year and 18% starting from 1 January 2012. The impact of the change in tax rate presented above represents the effect of applying the reduced tax rates to deferred tax balances at 31 December 2011.

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in the Republic of Belarus give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below, and is recorded at the rate of 18% (2011: 18%).

In millions of Belarusian Rubles	1 January 2011	Credited/ (charged) to profit or loss	31 Dec 2011	Credited/ (charged) to profit or loss	31 Dec 2012
Tax effect of deductible/(taxable) temporary differences					
Premises and equipment due to statutory revaluation and different useful lives	8,276	(6,743)	1,533	318	1,851
Allowance for impairment of financial assets	8,225	4,017	12,242	(4,760)	7,482
Fair value of derivatives	(2,471)	3,272	801	(831)	(30)
Accruals	1,614	(459)	1,155	(563)	592
Other	16	(1)	15	(184)	(169)
Net deferred tax asset/(liability)	**15,660**	**86**	**15,746**	**(6,020)**	**9,726**
Less unrecognised deferred tax asset	(15,660)	4,786	(10,874)	2,748	(8,126)
Net deferred tax asset/(liability)	**-**	**4,872**	**4,872**	**(3,272)**	**1,600**

The Bank has unrecognised potential deferred tax assets in respect of deductible temporary differences of BYR 8,126 million (2011: BYR 10,874 million).

The Bank had no tax loss carry forwards as at 31 December 2012 and 2011.

28 Dividends

In millions of Belarusian Rubles	2012 Ordinary	2011 Ordinary
Dividends payable at 1 January		-
Dividends declared during the year	16,873	18,664
Dividends paid during the year	(16,873)	(18,664)
Dividends payable at 31 December	**-**	**-**

All dividends are declared in Belarusian roubles and paid either in US dollars or in Belarusian roubles.

29 Segment Analysis

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM), and for which discrete financial information is available. The CODM is the person - or group of persons - who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the Financial Committee of the Bank.

(a) Description of products and services from which each reportable segment derives its revenue

The Bank is organised on the basis of four main business segments:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages;
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products;
- Treasury – representing corresponding accounts, deposits, loans and derivative products with other banks;
- Investment banking – representing transactions with securities, structured financing.

(b) Factors that management used to identify the reportable segments

The Banks's segments are strategic business units that focus on different customers. They are managed separately because each business unit requires different marketing strategies and service level and are based on different business and decision-making processes.

(c) Measurement of operating segment profit or loss, assets and liabilities

The CODM reviews financial information prepared based on Belarusian accounting standards adjusted to meet the requirements of internal reporting. Such financial information differs in certain aspects from International Financial Reporting Standards:

(i) Financial information is not restated in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies";

(ii) Allowance for loan impairment is recognised based on Belarusian legislation and availability of information, rather than based on the incurred loss model prescribed in IAS 39;

(iii) the fair value changes in available for sale securities are reported within the segments’ profits or losses rather than in other comprehensive income;

(iv) income taxes are not allocated to segments;

(v) commission income relating to lending is recognised immediately rather than deferred using the effective interest method.

The CODM evaluates performance of each segment based on profit before tax.

The Bank does not use transfer pricing for allocation of funds among segments.

(d) Information about reportable segment profit or loss, assets and liabilities

Segment information for the reportable segments for the year ended 31 December 2012 is set out below:

In millions of Belarusian Rubles	**Retail banking**	**Corporate banking**	**Treasury**	**Investment banking**	**Unalloca-ted**	**Total**
External revenues:						
- Interest income	6,187	218,768	18,832	38,389	106	**282,282**
- Fee and commission income	23,321	97,452	66	118	-	**120,957**
- Other operating income	1,582	1,080	-	-	3,997	**6,659**
Total revenues	**31,090**	**317,300**	**18,898**	**38,507**	**4,103**	**409,898**
Interest expense	(72,670)	(105,486)	(46,737)	(16,628)	-	**(241,521)**
Allowance for impairment of loans to customers, amounts due from other banks, investment securities available for sale and credit commitments	(515)	(10,288)	23	(28,512)	-	**(39,292)**
Fee and commission expense	(5,938)	(8,430)	(2,908)	(150)	-	**(17,426)**
Gains less losses from trading in foreign currencies and translation gains less losses	91	1,615	-	-	45,237	**46,943**
Gains less losses from financial derivatives	-	-	1,699	-	-	**1,699**
Gains less losses from disposals of investment securities available for sale	-	-	-	4,080	-	**4,080**
Administrative and other operating expenses	(11,266)	(13,236)	(1,987)	(2,610)	(103,115)	**(132,214)**
Other expenses	(14,302)	-	-	-	(6,191)	**(20,493)**
Income tax expense	-	-	-	-	-	**-**
Segment result	**(73,510)**	**181,475**	**(31,012)**	**(5,313)**	**(59,966)**	**11,674**
Segment assets	**56,007**	**1,743,817**	**556,745**	**231,765**	**272,256**	**2,860,590**
Segment liabilities	**880,463**	**1,224,835**	**339,317**	**78,689**	**20,492**	**2,543,796**

Segment information for the reportable segments for the year ended 31 December 2011 is set out below:

In millions of Belarusian Rubles	**Retail banking**	**Corporate banking**	**Treasury**	**Investment banking**	**Unalloca-ted**	**Total**
External revenues:						
- Interest income	6,317	220,027	27,934	33,391	-	287,669
- Fee and commission income	13,918	57,296	44	758	-	72,016
- Other operating income	2,730	896	-	5	2,909	6,540
Total revenues	**22,965**	**278,219**	**27,978**	**34,154**	**2,909**	**366,225**
Interest expense	(30,571)	(148,494)	(40,868)	(15,148)	(15)	(235,096)
Allowance for impairment of loans to customers, amounts due from other banks, investment securities available for sale and credit commitments	(1,073)	(8,806)	238	(29,630)	-	(39,271)
Fee and commission expense	(3,378)	(14,968)	(3,591)	(101)	-	(22,038)
Gains less losses from trading in foreign currencies and translation gains less losses	230	4,010	-	-	24,725	28,965
Gains less losses from financial derivatives	-	-	(1,248)	-	-	(1,248)
Gains less losses from disposals of investment securities available for sale	-	-	-	86,558	-	86,558
Administrative and other operating expenses	(12,667)	(5,627)	(1,167)	(2,810)	(71,623)	(93,894)
Income tax expense	-	-	-	-	(16,199)	(16,199)
Segment result	**(24,494)**	**104,334**	**(18,658)**	**73,023**	**(60,203)**	**74,002**
Segment assets	**56,379**	**3,178,319**	**755,468**	**280,038**	**211,710**	**4,481,914**
Segment liabilities	**743,757**	**1,247,172**	**1,960,935**	**231,439**	**9,421**	**4,192,724**

(e) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

In millions of Belarusian Rubles	**2012**	**2011**
Total revenues for reportable segments	**409,898**	**366,225**
(a) hyperinflation adjustments in accordance with IAS 29	36,707	92,972
(b) derecognition of syndicated loans where the Bank doesn't bear credit risk	(26,691)	(95,492)
(c) elimination of deposits with the National Bank of Belarus and recognition of derivative	(168)	(12,282)
(d) other IFRS adjustments	(8,807)	(5,971)
Total revenues	**410,939**	**345,452**

Total revenues comprise interest income, fee and commission income and other operating income.

In millions of Belarusian Rubles	2012	2011
Total reportable segment result	**11,674**	**74,002**
(a) hyperinflation adjustments in accordance with IAS 29	(34,958)	(76,965)
(b) elimination of deposits with the National Bank of Belarus and recognition of derivative	3,809	(9,387)
(c) additional allowance (reversal) for impairment of financial assets	16,582	(35,815)
(d) other IFRS adjustments	1,519	(3,956)
Loss for the year	**(1,374)**	**(52,121)**

In millions of Belarusian Rubles	2012	2011
Total reportable segment assets	**2,860,590**	**4,481,914**
(a) hyperinflation adjustments in accordance with IAS 29	46,742	48,370
(b) derecognition of syndicated loans where the Bank doesn't bear credit risk	(41,993)	(1,784,590)
(c) elimination of deposits with the National Bank of Belarus and recognition of derivative	(30,631)	(41,352)
(d) deal date accounting adjustment	61,704	99,004
(e) additional allowance for impairment of financial assets	(39,908)	(51,625)
(f) NOSTRO cut-off error	(21,072)	(5,427)
(g) Clearance of transit accounts	(71,405)	(1,462)
(h) other IFRS adjustments	(60,765)	(18,666)
Total assets	**2,703,262**	**2,726,166**

In millions of Belarusian Rubles	2012	2011
Total reportable segment liabilities	**2,543,796**	**4,192,724**
(a) hyperinflation adjustments in accordance with IAS 29	3	7
(b) derecognition of syndicated loans where the Bank doesn't bear credit risk	(41,993)	(1,784,590)
(c) elimination of deposits with the National Bank of Belarus and recognition of derivative	(30,887)	(37,183)
(d) deal date accounting adjustment	61,704	99,067
(e) NOSTRO cut-off error	(21,103)	(5,292)
(f) Clearance of transit accounts	(71,405)	(1,462)
(e) other IFRS adjustments	(302)	17,476
Total liabilities	**2,439,813**	**2,480,747**

(f) Analysis of revenues by products and services

The Bank's revenues are analysed by products and services in Notes 22 (interest income), Note 23 (fee and commission income) and in Note 25 (other operating income).

(f) Geographical information

In 2012 and 2011 revenues were collected mainly from Belarus (more than 90% of total revenues), other significant countries are the Netherlands and Russia. Revenues comprise interest income, fee and commission income and other operating income.

(g) Major customers

In 2012 revenues above 10% of the total revenue were generated from 2 customers (JSC “Naftan” and FLLC “TNK-BP Zapad”). In 2011 revenues above 10% of the total revenue were generated from 1 customer (JSC “Naftan”).

30 Financial Risk Management

The risk management function within the Bank is carried out in respect of financial risks, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank’s lending and other transactions with counterparties giving rise to financial assets.

The Bank’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. For credit related commitments, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 32.

The main purposes of credit risk management are securing of loan portfolio growth, minimisation of bad debts, and diversification of loan portfolio.

The main instruments of credit risk management are credit risk limits, limits by loan product, internal borrower credit ratings, pricing with an allowance for risk, collateral discounts.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry segments. Large risks are approved regularly by the Credit Committees. Such risks are monitored on a revolving basis and are subject to review on continuing basis. The Bank established a number of credit committees which are responsible for approving credit limits for individual borrowers:

The Senior Credit Committee is responsible for:

- making loan decision on credit limits to corporate clients in the amount not exceeding 20 % of Bank’s regulatory capital and meets weekly.
- submission to the Bank’s Management Board for consideration a decision on proposed credit limits exceeding 20% of the Bank’s regulatory capital.
- submission to the Bank’s Management Board for consideration the proposals of establishing country’s limits.
- making a decision on non-standard legal risks and non-standard terms of credit transactions.

The Junior Credit Committee is responsible for:

- review and approving credit limits to small and medium enterprises in the amount not exceeding BYR 4,500 million and meets twice a week.
- submission to the Senior Credit Committee for consideration a decision on fixing credit limits exceeding BYR 4,500 million.

Loan applications originated by the relevant client relationship managers are passed on to the relevant credit committee for approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees. In order to monitor credit risk exposures, regular reports are produced by the Risk Management Department's officers based on a structured analysis focusing on the customer's business and financial performance. Any significant exposure to customers with deteriorating creditworthiness are reported to, and reviewed by the relevant Credit Committee.

The Bank also uses internal credit ratings and past due balances to monitor exposure to credit risk. Borrower's rating determination is based on weighted estimation of two categories of indicators: financial and business. Financial indicators analysis presents an appraisal of borrower's financial statements in order to establish its financial competitiveness (solvency and financial stability), ability to fulfil its obligations. Estimation of borrower's financial indicator includes analysis of the following areas: liquidity, property status, financial stability, payables, receivables, profit. Evaluation of business indicators is conducted to clarify borrower's business potential on market, interrelations with counterparties and banks and an efficiency of working capital usage. Such evaluation supplements analysis of financial indicators in a way that makes it possible to have full information about the borrower for the purpose of making judgement on its investment attractiveness. Estimation of borrower's business indicator includes analysis of the following areas: economic activity, profitability, sales, turnover of accounts in banks, credit history, management quality, goodwill, market position and counterparties.

The Risk Management department reviews the ageing analysis of outstanding loans and follows up on past due balances. Management, therefore, considers it appropriate to provide ageing and other information about credit risk as disclosed in Notes 8-10, 12.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in assuming conditional obligations as it does for on-balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The credit policy, local legal acts about credit process, evaluation procedures of client's paying capacity, evaluation internal borrower credit ratings, monitoring debtor's financial position and the provisioning policy are regularly reviewed by the Bank.

Market risk. The Bank takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

The main purpose of market risk management is to minimise the fluctuation of the currencies portfolio and the securities portfolio, admitted in fair value, and to prevent their negative influence on the Bank's capital by establishing the limits on the amount of unexpected losses with the prescribed level of confidence interval, and establishing the limits on amount of open position.

The specific and the general risk analysis uses when the investments in securities are made by the Bank. The specific risk analysis is exercised in purpose of exposure credit risk of security and it is the same as the procedure used in credit analysis. The policy of forming and management of the securities portfolio has been established the minimum international credit rating of issuer for purchasing his bonds, limiting the size of the trading securities portfolio, limiting the share of investments in securities of the same emission.

The general risk analysis directs to the estimation of the market characteristic of risk: calculating modified duration, volatility of interest rates, price sensitivity, and correlation of interest rate with the basic indexes of the securities market.

The limit of risk concentration on securities per issuer is established on the basis of the specific and the general risk analysis.

The policy of forming and management of the securities portfolio determines the stop-loss. The Department of International and Fund Transactions must stop the position in security when the stop-loss has been achieved.

The portfolio of securities is analysed on a weekly basis by the Financial Committee.

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2012				At 31 December 2011			
In millions of Belarusian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
Belarusian Rubles	597,644	(646,621)	(15,150)	(64,127)	641,278	(496,229)	(8,186)	136,863
US Dollars	1,005,183	(941,342)	70,572	134,413	982,256	(1,133,217)	117,712	(33,249)
Euros	556,856	(521,825)	9,292	44,323	615,178	(586,309)	(7,892)	20,977
Russian Rubles	349,204	(317,663)	(9,426)	22,115	307,798	(246,892)	(41,327)	19,579
Other	1,992	(944)	-	1,048	5,937	(5,937)	-	-
Total	**2,510,879**	**(2,428,395)**	**55,288**	**137,772**	**2,552,447**	**(2,468,584)**	**60,307**	**144,170**

Derivatives presented above are monetary financial assets or monetary financial liabilities, but are presented separately in order to show the Bank's gross exposure.

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 33. The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

	At 31 December 2012		At 31 December 2011	
In millions of Belarusian Roubles	**Impact on profit or loss before taxes**	**Impact on equity**	**Impact on profit or loss before taxes**	**Impact on equity**
US Dollar strengthening by 10% (2011: strengthening by 30%)	13,441	11,022	(9,974)	(8,179)
US Dollar weakening by 5% (2011: weakening by 10%)	(6,721)	(5,511)	3,325	2,727
Euro strengthening by 10% (2011: strengthening by 30%)	4,432	3,634	6,293	5,160
Euro weakening by 5% (2011: weakening by 10%)	(2,216)	(1,817)	(2,097)	(1,720)
Russian Rubles strengthening by 10% (2010: strengthening by 30%)	2,212	1,814	5,874	4,817
Russian Rubles weakening by 5% (2011: weakening by 10%)	(1,106)	(907)	(1,959)	(1,606)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the Bank.

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. The Bank makes use of gap- analysis of assets and liabilities for estimation interest risk rate.

The table below summarises the Bank’s exposure to interest rate risks. The table presents the aggregated amounts of the Bank’s financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-monetary**	**Total**
31 December 2012						
Total financial assets	898,894	1,114,944	228,888	323,575	-	**2,566,301**
Total financial liabilities	1,507,689	402,929	364,564	153,347	-	**2,428,529**
Net interest sensitivity gap at 31 December 2012	**(608,795)**	**712,015**	**(135,676)**	**170,228**	**-**	**137,772**
31 December 2011						
Total financial assets	1,126,844	939,063	235,493	311,625	54	**2,613,079**
Total financial liabilities	1,736,401	252,154	240,289	239,065	944	**2,468,853**
Net interest sensitivity gap at 31 December 2011	**(609,557)**	**686,909**	**(4,796)**	**72,560**	**(890)**	**144,226**

The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Bank’s income statement. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December. The sensitivity of other comprehensive income is calculated by revaluing fixed rate available-for-sale financial assets at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve:

	At 31 December 2012		**At 31 December 2011**	
In millions of Belarusian Roubles	**Impact on net interest income**	**Impact on other comprehensive income**	**Impact on net interest income**	**Impact on other comprehensive income**
Increase by 500 basis points for Interest rate in Belarusian roubles (2011: increase by 1, 000 basis points)	534	-	4,794	(12)
Decrease by 500 basis points for Interest rate in Belarusian roubles (2011: increase by 1,000 basis points)	(534)	-	(4,794)	15
Increase by 200 basis points for Interest rate in other currencies (2011: increase by 200 basis points)	458	(4,911)	(1,078)	(6,025)
Decrease by 200 basis points for Interest rate in other currencies (2011: increase by 200 basis points)	(458)	5,246	1,078	4,879

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date based on reports reviewed by key management personnel. For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	2012				2011			
In % p.a.	**BYR**	**USD**	**Euro**	**RUR**	**BYR**	**USD**	**Euro**	**RUR**
Assets								
Due from other banks	-	-	-	-	-	0%	-	-
Loans and advances to customers	36%	9%	8%	12%	63%	12%	10%	13%
Debt investment securities available for sale	-	9%	-	-	42%	9%	-	-
Liabilities								
Due to other banks	-	5%	3%	10%	-	2%	4%	11%
Customer accounts								
- current and settlement accounts	15%	3%	1%	1%	30%	8%	4%	3%
- term deposits	34%	5%	5%	9%	58%	8%	9%	9%
Debt securities in issue	30%	8%	-	-	48%	8%	7%	-
Subordinated debt	-	6%	7%	-	-	6%	8%	-

The sign “-“ in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency.

The Treasury department makes use of currency swap to manage the risk. The Finance Committee regularly revises advisable interest rates of credits and limiting interest rates for deposits to form optimal cost of assets and liabilities.

Other price risk. The Bank has limited exposure to equity price risk.

The Bank is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Bank’s current year profit (loss) and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers.

Geographical risk concentrations. The geographical concentration of the Bank's assets and liabilities at 31 December 2012 is set out below:

In millions of Belarusian Roubles	Belarus	Russia	Other CIS	Europe	USA	Other	Total
Assets							
Cash and cash equivalents	390,941	22,570	19	64,897	50,285	-	**528,712**
Mandatory cash balances with the National Bank of Belarus	24,004	-	-	-	-	-	**24,004**
Due from other banks	10,584	-	-	-	-	-	**10,584**
Loans and advances to customers	1,688,737	-	-	-	-	-	**1,688,737**
Investment securities available for sale	161,484	27,330	-	-	-	-	**188,814**
Derivative financial assets	55,422	-	-	-	-	-	**55,422**
Current income tax asset	8,468	-	-	-	-	-	**8,468**
Deferred income tax asset	1,600	-	-	-	-	-	**1,600**
Property, equipment and intangible assets	102,549	-	-	-	-	-	**102,549**
Other financial assets	66,201	2	2	3,823	-	-	**70,028**
Other assets	24,344	-	-	-	-	-	**24,344**
Total assets	**2,534,334**	**49,902**	**21**	**68,720**	**50,285**	**-**	**2,703,262**
Liabilities							
Due to other banks	22,012	88,054	20	102,696	-	-	**212,782**
Customer accounts	1,808,518	45,050	7,538	90,176	3,990	33,836	**1,989,108**
Debt securities in issue	78,603	-	-	-	-	-	**78,603**
Derivative financial liabilities	-	134	-	-	-	-	**134**
Current income tax liability	-	-	-	-	-	-	**-**
Other financial liabilities	81,668	51	-	653	-	-	**82,372**
Other liabilities	11,284	-	-	-	-	-	**11,284**
Subordinated debt	-	-	-	65,530	-	-	**65,530**
Total liabilities	**2,002,085**	**133,289**	**7,558**	**259,055**	**3,990**	**33,836**	**2,439,813**
Net position	**532,249**	**(83,387)**	**(7,537)**	**(190,335)**	**46,295**	**(33,836)**	**263,449**
Credit related commitments, not secured by cash, net of provision	**237,181**	**-**	**-**	**-**	**-**	**-**	**237,181**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand have been allocated based on the country in which they are physically held.

The geographical concentration of the Bank's assets and liabilities at 31 December 2011 is set out below:

In millions of Belarusian Roubles	Belarus	Russia	Other CIS	Europe	USA	Other	Total
Assets							
Cash and cash equivalents	429,846	13,135	4,185	301,161	1,968	-	**750,295**
Mandatory cash balances with the National Bank of Belarus	13,182	-	-	-	-	-	**13,182**
Due from other banks	7,456	-	-	-	-	-	**7,456**
Loans and advances to customers	1,458,749	-	-	-	-	-	**1,458,749**
Investment securities available for sale	202,004	5,036	-	-	-	-	**207,040**
Derivative financial assets	60,576	-	-	-	-	-	**60,576**
Deferred income tax assets	4,872	-	-	-	-	-	**4,872**
Property, equipment and intangible assets	99,251	-	-	-	-	-	**99,251**
Other financial assets	102,214	2,641	-	10,924	-	-	**115,779**
Other assets	8,966	-	-	-	-	-	**8,966**
Total assets	**2,387,116**	**20,812**	**4,185**	**312,085**	**1,968**	**-**	**2,726,166**
Liabilities							
Due to other banks	1,761	96,344	127	40,143	-	-	**138,375**
Customer accounts	1,829,836	36,315	3,976	17,142	900	14,506	**1,902,675**
Debt securities in issue	231,439	-	-	-	-	-	**231,439**
Derivative financial liabilities	45	224	-	-	-	-	**269**
Current income tax liability	4,621	-	-	-	-	-	**4,621**
Other financial liabilities	116,230	2,705	-	-	-	-	**118,935**
Other liabilities	7,273	-	-	-	-	-	**7,273**
Subordinated debt	-	-	-	77,160	-	-	**77,160**
Total liabilities	**2,191,205**	**135,588**	**4,103**	**134,445**	**900**	**14,506**	**2,480,747**
Net position	**195,911**	**(114,776)**	**82**	**177,640**	**1,068**	**(14,506)**	**245,419**
Credit related commitments, not secured by cash, net of provision	**269,075**	**-**	**-**	**-**	**-**	**-**	**269,075**

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by Financial Committee of the Bank.

The Bank seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits and debt securities. The Bank invests the funds in diversified portfolios of liquid assets. The target capital structure of assets and liabilities is assigned and the limits on attraction of resources from one creditor is fixed at the rate of 20% of Bank's regulatory capital, in order to be able to respond quickly and smoothly to unforeseen liquidity.

The Bank's Treasury Department requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements. The Treasury Department calculates liquidity ratios on a daily basis. These ratios are:

- Instant liquidity ratio, which is calculated as the ratio of highly-liquid assets to liabilities payable on demand;

- Current liquidity ratio, which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;

- Long-term liquidity ratio, which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank. The daily liquidity position is monitored by the Treasury Department.

Regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, controlling maintenance of management limits on liquidity risk, is performed by the Risk Management Department.

The Department of International and Fund Transactions manages the portfolio of securities.

The table below shows liabilities at 31 December 2012 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, gross credit related commitments, and contractual amounts to be exchanged under a gross settled currency swaps. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Bank expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of undiscounted financial liabilities at 31 December 2012 is as follows:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities					
Due to other banks	45,993	123,076	307	49,129	**218,505**
Customer accounts	1,399,289	216,026	273,490	141,204	**2,030,009**
Debt securities in issue	-	4,818	77,174	-	**81,992**
Gross settled swaps and forwards:					
- inflows	(9,292)	-	-	-	**(9,292)**
- outflows	9,426	-	-	-	**9,426**
Other financial liabilities	71,366	4,533	600	5,873	**82,372**
Subordinated debt	354	1,713	2,101	86,698	**90,866**
Guarantees issued	177,964	**-**	**-**	**-**	**177,964**
Import letters of credit, not secured by cash	65,902	**-**	**-**	**-**	**65,902**
Total potential future payments for financial obligations	**1,761,002**	**350,166**	**353,672**	**282,904**	**2,747,744**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Bank does not generally expect the third party to draw funds under the agreement.

The maturity analysis of undiscounted financial liabilities at 31 December 2011 is as follows:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Total**
Liabilities					
Due to other banks	2,677	100,679	1,390	43,833	**148,579**
Customer accounts	1,424,558	153,482	266,609	133,954	**1,978,603**
Debt securities in issue	41,346	5,632	97,615	123,771	**268,364**
Gross settled swaps and forwards:					
- inflows	(112,094)	-	-	-	**(112,094)**
- outflows	112,363	-	-	-	**112,363**
Other financial liabilities	118,804	57	68	6	**118,935**
Subordinated debt	417	2,083	2,498	100,625	**105,623**
Guarantees issued	152,452	-	-	-	**152,452**
Import letters of credit, not secured by cash	134,241	-	-	-	**134,241**
Total potential future payments for financial obligations	**1,874,764**	**261,933**	**368,180**	**402,189**	**2,907,066**

Payments in respect of gross settled forwards will be accompanied by related cash inflows. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Belarusian Banking Code, individuals have a right to withdraw their deposits prior to maturity.

The Bank does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Bank’s Treasury monitors contractual maturities and the resulting expected liquidity gap.

The following table represents analysis of assets and liabilities as at December 2012 by their contractual maturities as determined by the Bank:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents	528,712	-	-	-	-	**528,712**
Mandatory cash balances with the National Bank of Belarus	-	-	-	-	24,004	**24,004**
Due from other banks	10,584	-	-	-	-	**10,584**
Loans and advances to customers	266,811	1,059,592	160,305	202,029	-	**1,688,737**
Investment securities available for sale	-	-	88,038	100,776	-	**188,814**
Derivative financial assets	-	-	-	55,422	-	**55,422**
Current income tax asset	-	8,468	-	-	-	**8,468**
Deferred income tax asset	-	-	-	-	1,600	**1,600**
Premises, equipment and intangible assets	-	-	-	-	102,549	**102,549**
Other financial assets	69,982	6	-	-	40	**70,028**
Other assets	11,947	11,218	1,179	-	-	**24,344**
Total assets	**888,036**	**1,079,284**	**249,522**	**358,227**	**128,193**	**2,703,262**
Due to other banks	45,859	121,153	-	45,770	-	**212,782**
Customer accounts	1,387,176	205,890	265,708	130,334	-	**1,989,108**
Debt securities in issue	-	3,027	75,576	-	-	**78,603**
Derivative financial liabilities	134	-	-	-	-	**134**
Other financial liabilities	71,366	4,533	600	5,873	-	**82,372**
Other liabilities	11,284	-	-	-	-	**11,284**
Subordinated debt	-	-	-	65,530	-	**65,530**
Total liabilities	**1,515,819**	**334,603**	**341,884**	**247,507**	**-**	**2,439,813**
Net expected liquidity gap	**(627,783)**	**744,681**	**(92,362)**	**110,720**	**128,193**	**263,449**
Cumulative expected liquidity gap	**(627,783)**	**116,898**	**24,536**	**135,256**	**263,449**	

Significant mismatch in the liquidity position up to 1 month is caused by significant portion of customer accounts classified into the category “Demand and less than 1 month”. The Bank’s management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank. The Bank’s management believes that the Bank will be able to attract sufficient interbank borrowings to finance potential customer short-term funds withdrawal. The Bank has positive cumulative expected liquidity gap for all other maturity periods.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

The following table represents analysis of assets and liabilities as at December 2011 by their contractual maturities as determined by the Bank:

In millions of Belarusian Roubles	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**No stated maturity**	**Total**
Assets						
Cash and cash equivalents	750,295	-	-	-	-	**750,295**
Mandatory cash balances with the National Bank of Belarus	-	-	-	-	13,182	**13,182**
Due from other banks	7,456	-	-	-	-	**7,456**
Loans and advances to customers	167,084	920,930	158,865	211,870	-	**1,458,749**
Investment securities available for sale	-	-	84,521	122,465	54	**207,040**
Derivative financial assets	-	-	-	60,576	-	**60,576**
Deferred income tax asset					4,872	**4,872**
Premises, equipment and intangible assets	-	-	-	-	99,251	**99,251**
Other financial assets	115,570	9	-	-	200	**115,779**
Other assets	-	4,897	-	-	4,069	**8,966**
Total assets	**1,040,405**	**925,836**	**243,386**	**394,911**	**121,628**	**2,726,166**
Due to other banks	2,678	97,318	569	37,810	-	**138,375**
Customer accounts	1,408,525	127,035	251,897	115,218	-	**1,902,675**
Debt securities in issue	37,916		91,005	102,518	-	**231,439**
Derivative financial liabilities	269	-	-	-	-	**269**
Current income tax liability	-	4,621	-	-	-	**4,621**
Other financial liabilities	117,860	57	68	6	944	**118,935**
Other liabilities	7,273	-	-	-	-	**7,273**
Subordinated debt	-	-	-	77,160	-	**77,160**
Total liabilities	**1,574,521**	**229,031**	**343,539**	**332,712**	**944**	**2,480,747**
Net expected liquidity gap	**(534,116)**	**696,805**	**(100,153)**	**62,199**	**120,684**	**245,419**
Cumulative expected liquidity gap	**(534,116)**	**162,689**	**62,536**	**124,735**	**245,419**	

Operational risk. The Bank reviews operational risk by development and monitoring the Key Risk Indicators (KRI) of the guidelines for the Bank’s activities. The senior executives of all Bank departments provide the Department of Risk Management with information about operational risks. The Risk Management Department performs an analysis of operating risk accidents and takes part in developing measures to prevent operating risk accidents. The Bank’s Management Board is informed of the KRI and operating risk accidents by means of quarterly reports.

31 Management of Capital

The Bank’s objectives when managing capital are (i) to comply with the capital requirements set by the National Bank of Belarus, (ii) to safeguard the Bank’s ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the National Bank of Belarus is monitored monthly, with reports outlining their calculation reviewed and signed by the Bank’s Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated on a regular basis.

Under the current capital requirements set by the National Bank of Belarus, banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital ratio”) above a prescribed minimum level (8%). Regulatory capital is based on the Bank’s reports prepared under Belarusian accounting standards and comprises:

In millions of Belarusian Roubles	**2012**	**2011 (non hyperinflated)**
Net assets under Belarusian GAAP	316,794	267,892
Plus subordinated debt	65,530	61,910
Plus adjustment for revaluation fund for securities available for sale	(375)	287
Less intangible assets	(5,907)	(357)
Less borrowings granted	(145)	(185)
Less income accrued in 2012 - either overdue or not received after 30 days from the accrual date	(5,841)	-
Less income accrued in the previous years - either overdue or not, but not yet received	(8,829)	-
Total regulatory capital	**361,227**	**329,547**

The minimal level of regulatory capital established by the National Bank of Belarus amounts to EUR 25 million which is equivalent as at 31 December 2012 to BYR 283,500 million (2011: BYR 270,000 million).

The Bank’s management also monitors capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I. The composition of the Group’s capital calculated in accordance with Basel Accord is as follows:

In millions of Belarusian Roubles	**2012**	**2011**
Tier 1 capital		
Share capital	469,882	435,391
Accumulated deficit	(207,166)	(188,919)
Revaluation deficit for investment securities available for sale	-	(1,053)
Total tier 1 capital	**262,716**	**245,419**
Tier 2 capital		
Subordinated debt (adjusted for residual maturity)	65,530	75,632
Revaluation surplus for investment securities available for sale	733	-
Total tier 2 capital	**66,263**	**75,632**
Total capital per Basel I	**328,979**	**321,051**
Capital Ratios:		
Tier 1 capital	9.9%	10.7%
Total capital	12.3%	14.0%

The Bank has complied with all externally imposed capital requirements throughout 2012 and 2011.

32 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Bank may be received. On the basis of its own estimates and both internal professional advice, management is of the opinion that no material losses will be incurred in respect of claims, and accordingly no provision has been made in these financial statements.

Tax contingencies. Belarusian tax and other legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Fiscal periods remain open to review by the authorities in respect of taxes for indefinite period.

As Belarusian tax legislation does not provide definitive guidance in certain areas, the Bank adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Bank. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the relevant authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

Capital expenditure commitments. At 31 December 2012, the Bank has no material contractual capital expenditure commitments in respect of premises and equipment and in respect of software and other intangible assets.

The Bank has already allocated the necessary resources in respect of these commitments. The Bank believes that future net income and funding will be sufficient to cover this and any similar such commitments.

Operating lease commitments. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In millions of Belarusian Roubles	**2012**	**2011**
Not later than 1 year	16,398	17,012
Later than 1 year and not later than 5 years	16,092	28,027
Total operating lease commitments	**32,490**	**45,039**

Compliance with covenants. The Bank is not subject to financial covenants in respect of its borrowings.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since all Bank's commitments to extend credit can be revocable without a material adverse change in the borrower performance.

Outstanding credit related commitments are as follows:

In millions of Belarusian Roubles	Note	2012	2011
Guarantees issued		177,964	152,452
Import letters of credit secured by cash	15	88,116	46,453
Import letters of credit, not secured by cash		65,902	134,241
Total credit related commitments, gross		**331,982**	**333,146**
Less: Provision for credit related commitments	17	(6,685)	(17,618)
Total credit related commitments, net of provision		**325,297**	**315,528**

The total outstanding contractual amount of letters of credit and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Movement in the provision for losses on credit related commitments were as follows:

In millions of Belarusian Rubles	2012	2011
Provision for losses on credit related commitments at 1 January	**17,618**	**3,296**
(Release)/provision for credit related commitments during the year	(8,370)	15,021
Currency translation differences	590	1,017
Monetary gain	(3,153)	(1,716)
Provision for losses on credit related commitments at 31 December	**6,685**	**17,618**

Credit related commitments are denominated in currencies as follows:

In millions of Belarusian Rubles	2012	2011
Euro	242,516	257,863
US Dollars	49,300	44,645
Russian Roubles	24,866	10,638
Belarusian rouble	15,300	20,000
Total credit related commitments, gross	**331,982**	**333,146**

Assets pledged and restricted. The Bank had no assets pledged as collateral except for the following:

At 31 December 2012, due from other banks balances of BYR 10,584 million (2011: BYR 7,456 million) are placed as a cover for letters of credit and international payment cards transactions (Note 8).

As at 31 December 2012 investment securities available for sale include credit notes issued by OJSC “Belagroprombank” in the amount of BYR 61,817 million and Governmental Eurobonds in the amount of BYR 5,941 million pledged under repurchase agreement with foreign customer (Note 10 and 15).

In addition, mandatory cash balances with the National Bank of Belarus of BYR 24,004 million (2011: BYR 13,182 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations as disclosed in Note 3.

33 Derivative Financial Instruments

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forward and swap contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period. The contracts have both short term and long-term maturities:

In millions of Belarusian Rubles	Note	2012 Contracts with positive fair value	2012 Contracts with negative fair value	2011 Contracts with positive fair value	2011 Contracts with negative fair value
Foreign exchange forwards and swaps: fair values, at the end of the reporting period, of					
- USD receivable on settlement (+)		70,572	-	68,762	80,523
- USD payable on settlement (-)		-	-	-	(31,573)
- Euros receivable on settlement (+)		-	9,292	-	31,571
- Euros payable on settlement (-)		-	-	-	(39,463)
- Russian rubles payable on settlement (-)		-	(9,426)	-	(41,327)
- Belarusian roubles payable on settlement (-)		(15,150)	-	(8,186)	-
Net fair value of foreign exchange forwards and swaps	**30**	**55,422**	**(134)**	**60,576**	**(269)**

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The gains less losses from financial derivatives recognised in statement of comprehensive income in the amount of BYR 7,704 million (2011: BYR 358,546 million) are mainly represented by positive change in fair value of foreign currency swaps with the National Bank of Belarus. Please refer to Note 4 for detail.

34 Fair Value of Financial Instruments

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

	2012		2011	
In millions of Belarusian Rubles	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS				
Cash and cash equivalents	528,712	528,712	750,295	750,295
Mandatory cash balances with the National Bank of Belarus	24,004	24,004	13,182	13,182
Due from other banks	10,584	10,584	7,456	7,456
Loans and advances to customers				
- Corporate loans	1,349,268	1,349,268	1,221,906	1,221,883
- Loans to small and medium enterprises (SME)	221,043	221,043	113,955	112,896
- Finance lease receivables	30,867	27,417	4,367	3,996
- Corporate bonds classified as loans and receivables	42,032	42,032	74,776	74,776
- Loans to individuals	45,527	37,256	43,745	30,030
Other financial assets	70,028	70,028	115,779	115,779
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**2,322,065**	**2,310,344**	**2,345,461**	**2,330,293**
FINANCIAL LIABILITIES				
Due to other banks	212,782	212,782	138,375	138,375
Customer accounts	1,989,108	1,989,108	1,902,675	1,902,675
Debt securities in issue	78,603	78,603	231,439	231,439
Other financial liabilities	82,372	82,372	118,935	118,935
Subordinated debt	65,530	65,530	77,160	77,160
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**2,428,395**	**2,428,395**	**2,468,584**	**2,468,584**

(b) Analysis by fair value hierarchy of financial instruments carried at fair value.

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

	2012			**2011**		
In millions of Belarusian Rubles	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**	**Quoted price in an active market (Level 1)**	**Valuation technique with inputs observable in markets (Level 2)**	**Valuation technique with significant non-observable inputs (Level 3)**
FINANCIAL ASSETS						
Investment debt securities available for sale	-	188,814	-	-	207,040	-
Derivative financial assets	-	-	55,422	-	-	60,576
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE	**-**	**188,814**	**55,422**	**-**	**207,040**	**60,576**
FINANCIAL LIABILITIES						
Derivative financial liabilities	-	134	-	-	269	-
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE	**-**	**134**	**-**	**-**	**269**	**-**

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Currency swaps with the National Bank of Belarus are categorised under the third level of fair value hierarchy since its fair value is assessed with significant non-observable inputs (Level 3).

(c) Reconciliation of movements in instruments belonging to level 3 of the fair value hierarchy.

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2012 and 2011 is as follows:

In millions of Belarusian Rubles	2012 Derivative financial assets	2011 Derivative financial assets
Fair value at 1 January	**60,576**	-
Transfers into level 3	-	7,170
Gains or losses recognised in profit or loss for the year	5,688	75,908
Loss on monetary position	(10,842)	(22,502)
Fair value at 31 December	**55,422**	**60,576**
Cumulative revaluation gains less losses recognised in profit or loss for the current or prior years for assets held at 31 December	**55,422**	**60,576**
Sensitivity of fair value at 31 December to reasonably possible changes in assumptions not based on observable market data		
Effect on fair value of 2% increase in USD interest rate used to discount future cash flows under derivative	**(3,599)**	**(4,559)**
Effect on fair value of 2% decrease in BYR interest rate used to discount future cash flows under derivative	**(682)**	**(434)**

Gains and losses on derivatives are presented separately in profit or loss for the year.

The sensitivity to valuation assumptions disclosed in the table above represents by how much the fair value of current swap with the National Bank of Belarus could increase or decrease had management used reasonably possible alternative valuation assumptions that are not based on observable market data, primarily the credit risk premium above the risk free discount rate in the discounted cash flow valuation technique applied by the Bank.

(d) The methods and assumptions applied in determining fair values.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices were not available, the Bank used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	2012	**2011**
Due from other banks		
US dollar	0%	0%
Euro	0%	-
Loans and advances to customers		
US dollar	9%	12%
Russian rouble	12%	13%
Euro	8%	10%
Belarusian rouble	51%	63%
Due to other banks		
US dollar	5%	2%
Russian rouble	10%	11%
Euro	3%	4%
Belarusian rouble	0%	-
Customer accounts		
- Current/settlement accounts		
US dollar	3%	8%
Russian rouble	1%	3%
Euro	1%	4%
Belarusian rouble	15%	30%
- Term deposits		
US dollar	5%	8%
Russian rouble	9%	9%
Euro	5%	9%
Belarusian rouble	34%	58%
Debt securities in issue		
US dollar	8%	8%
Euro	0%	7%
Belarusian rouble	30%	48%
Subordinated debt		
US dollar	6%	6%
Euro	7%	8%

35 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss (“FVTPL”). Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading. In addition, finance lease receivables form a separate category. The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2012:

In millions of Belarusian Rubles	**Loans and receiv-ables**	**Availa-ble-for-sale assets**	**Trading assets**	**Total**
ASSETS				
Cash and cash equivalents	528,712	-	-	**528,712**
Mandatory cash balances with the National Bank of Belarus	24,004	-	-	**24,004**
Due from other banks	10,584	-	-	**10,584**
Loans and advances to customers				
Corporate loans	1,349,268	-	-	**1,349,268**
Loans to small and medium enterprises (SME)	221,043			**221,043**
Finance lease receivables	30,867	-	-	**30,867**
Corporate bonds classified as loans and receivables	42,032			**42,032**
Loans to individuals	45,527	-	-	**45,527**
Investment securities available for sale	-	188,814	-	**188,814**
Derivative financial assets	-	-	55,422	**55,422**
Other financial assets	70,028	-	**-**	**70,028**
TOTAL FINANCIAL ASSETS	**2,322,065**	**188,814**	**55,422**	**2,566,301**

The following table provides a reconciliation of financial assets with measurement categories at 31 December 2011:

In millions of Belarusian Rubles	**Loans and receiv-ables**	**Availa-ble-for-sale assets**	**Trading assets**	**Total**
ASSETS				
Cash and cash equivalents	750,295	-	-	**750,295**
Mandatory cash balances with the National Bank of Belarus	13,182	-	-	**13,182**
Due from other banks	7,456	-	-	**7,456**
Loans and advances to customers				
Corporate loans	1,221,906	-	-	**1,221,906**
Loans to small and medium enterprises (SME)	113,955	-	-	**113,955**
Finance lease receivables	4,367	-	-	**4,367**
Corporate bonds classified as loans and receivables	74,776	-	-	**74,776**
Loans to individuals	43,745	-	-	**43,745**
Investment securities available for sale	-	207,040	-	**207,040**
Derivative financial assets	-	-	60,576	**60,576**
Other financial assets	115,779	-	-	**115,779**
TOTAL FINANCIAL ASSETS	**2,345,461**	**207,040**	**60,576**	**2,613,077**

As at 31 December 2012 and 31 December 2011, all of the Bank’s financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

36 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can 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.

At 31 December 2012, the outstanding balances with related parties were as follows:

In millions of Belarusian Rubles	**Parent company**	**Entities under common control**	**Key management personnel**
Cash and cash equivalents	-	22,258	-
Gross amount of loans and advances to customers (contractual interest rate: 11 - 46 %)	-	49,273	542
Allowance for impairment of loans and advances to customers at 31 December	-	(394)	(46)
Other financial assets	-	3,512	2
Due to other banks (contractual interest rate: 0 - 9%)	-	97,214	-
Customer accounts (contractual interest rate: 0 - 41%)	-	131,778	2,539
Derivative financial liabilities	-	-	-
Other financial and non-financial liabilities	-	49	131
Subordinated debt (contractual interest rate: 5 - 7%)	65,530	-	-

At 31 December 2011, the outstanding balances with related parties were as follows:

In millions of Belarusian Rubles	**Parent company**	**Entities under common control**	**Key management personnel**
Cash and cash equivalents	-	40,662	-
Gross amount of loans and advances to customers (contractual interest rate: 12 - 52 %)	-	32,797	635
Allowance for Impairment for loans and advances to customers at 31 December	-	(572)	(83)
Other financial assets	-	13,459	1
Due to other banks (contractual interest rate 0 - 11 %)	-	96,178	-
Customer accounts (contractual interest rate: 0 - 55 %)	-	319,192	2,380
Derivative financial liabilities	-	222	-
Other financial and non-financial liabilities	-	2,758	384
Subordinated debt (contractual interest rate: 5 - 8 %)	77,160	-	-

The income and expense items with related parties for 2012 and 2011 were as follows:

	2012			2011		
In millions of Belarusian Rubles	**Parent company**	**Entities under common control**	**Key management personnel**	**Parent company**	**Entities under common control**	**Key management personnel**
Interest income	-	7,392	61	-	5,381	29
Interest expense	(4,350)	(16,974)	(98)	(5,300)	(35,935)	(104)
Allowance for impairment of loans to customers	-	178	37	-	(498)	(45)
Fee and commission income	-	10,746	8	-	21,309	7
Fee and commission expense	-	(1,440)	-	-	(1,951)	-
Gains less losses from trading in foreign currencies	-	75	-	-	(11,128)	-
Gains less losses from disposals of investment securities available for sale	-	-	-	-	580	-
Administrative and other operating expenses	-	(73)	(12,664)	-	(11)	(7,611)

Key management compensation is presented below:

	2012		2011	
In millions of Belarusian Rubles	**Expense**	**Accrued liability**	**Expense**	**Accrued liability**
Short-term benefits:				
- Salaries and short-term bonuses	9,737	92	6,018	313
Post-employment benefits:				
- State pension and social security costs	2,927	39	1,593	71
Total compensation	**12,664**	**131**	7,611	384

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services.

The credit commitments with related parties for 2012 and 2011 were as follows:

	2012			2011		
In millions of Belarusian Rubles	**Parent company**	**Entities under common control**	**Key management personnel**	**Parent company**	**Entities under common control**	**Key management personnel**
Guarantees issued	-	2,046	-	-	-	-

37 Events After the End of the Reporting Period

Merger with CJSC “Belrosbank”. As at 9 January 2013 the General Meeting of Shareholders decided to reorganise the Bank through merger with CJSC “Belrosbank”. The merger will result in the Bank’s share capital increase by BYR 112,860 million due to addition of the share capital of CJSC “Belrosbank”.

Refinancing rate. Starting from 13 March 2013 the National Bank of Belarus has decreased the refinancing rate from 30% to 28.5%.