BPS-Sberbank and subsidiaries

Consolidated financial statements

For the year ended 31 December 2015
together with independent auditors' report

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Совершенствуя бизнес, улучшаем мир

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Audit report of independent audit firm on the consolidated financial statements of Joint-Stock Company "BPS-Sberbank" for the period ended 31 December 2015

To Acting Chairman of the Management Board
of the Joint-Stock Company "BPS-Sberbank"
V.A. Perepelitsa

To the Shareholders and Supervisory Board of
Joint-Stock Company "BPS-Sberbank"

We have audited the accompanying consolidated financial statements of Joint-Stock Company "BPS-Sberbank" and its subsidiaries (hereinafter "the Group"), which comprise the consolidated statement of financial position as of 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and, the consolidated statement of cash flows for the year 2015, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Management of audited entity for the preparation of consolidated financial statements

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

Responsibility of audit firm

Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Law of the Republic of Belarus *"On Auditing Activity"* of 12 July 2013, National Rules for Auditing Activities effective in the Republic of Belarus and with International Standards on Auditing. Those rules and standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

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

Совершенствуя бизнес,
улучшаем мир

Audit opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2015, and its financial performance and its cash flows for the year 2015 in accordance with International Financial Reporting Standards.

P.A. Laschenko
Partner, FCCA
Director of Ernst & Young LLC

9 March 2016

Details of the audited entity

Name: Joint-Stock Company "BPS-Sberbank"
Registered by the National Bank of the Republic of Belarus on 28 December 1991, State Registration Number 25.
Address: 220005, Republic of Belarus, Minsk, 6 Mulyavin Boulevard.

Details of the audit firm

Name: Ernst & Young Limited Liability Company
Registered by the Minsk Executive Committee on 7 April 2005, State Registration Number 577.
Address: 220004, Republic of Belarus, Minsk, 51A Klary Tsetkin Street, 15th floor.

Consolidated statement of financial position

As of 31 December 2015

(in millions of Belarusian rubles)

	Notes	31 December 2015	31 December 2014
Assets			
Cash and cash equivalents	5	6,158,872	5,666,401
Mandatory cash balances with the National Bank of the Republic of Belarus		175,694	214,285
Due from banks	6	108,689	58,451
Derivative financial assets	7	2,917,665	4,593,803
Loans to corporate customers	8	26,145,483	23,732,562
Loans to individuals	8	1,665,653	1,813,621
Non-current assets held for sale	9	196,531	14,259
Investments available for sale	10	7,194,756	1,150,334
Investments held to maturity	11	10,614	219,604
Investments in associates	12	86,950	72,777
Premises and equipment	13	1,496,391	1,506,633
Intangible assets	13	368,168	237,209
Current income tax assets		36,068	–
Other financial assets	14	230,539	418,411
Other non-financial assets	14	281,441	208,763
Deferred income tax assets	28	20,915	–
Total assets		**47,094,429**	**39,907,113**
Liabilities and equity			
Liabilities			
Loans from the National bank of the Republic of Belarus	15	649,194	800,000
Due to banks	16	9,655,509	10,049,493
Derivative financial liabilities	7	7,258	38,631
Due to individuals	17	18,223,454	12,310,532
Due to corporate customers	17	10,231,686	9,904,928
Debt securities issued	18	1,888,663	832,745
Current income tax liabilities		–	41,206
Deferred income tax liabilities	28	–	69,970
Provisions for guarantees and other commitments	22	10,625	11,202
Other financial liabilities	19	821,418	659,797
Other non- financial liabilities	19	62,882	139,904
Subordinated debt	30	1,015,000	719,116
Total liabilities		**42,565,689**	**35,577,524**
Equity			
Share capital	20	3,217,563	3,217,563
Share premium		5,763	5,763
Revaluation reserve for office premises and assets held for sale		267,283	284,923
Investments available for sale fair value deficit		16,710	7,547
Retained earnings		1,021,421	813,564
Total equity attributable to shareholders of the Bank		**4,528,740**	**4,329,360**
Non-controlling interest		–	229
Total equity		**4,528,740**	**4,329,589**
Total liabilities and equity		**47,094,429**	**39,907,113**

Signed and authorized for release on behalf of the Management Board

Acting Chairman of the Board
Viktar A. Perepelitsa
9 March 2016
Minsk

Chief Accountant
Nina N. Ilyukevich
9 March 2016
Minsk

Consolidated income statement

For the year ended 31 December 2015

(in millions of Belarusian rubles)

	Notes	Year ended 31 December 2015	Year ended 31 December 2014
Interest income	21	6,092,120	4,717,146
Interest expense	21	(3,178,666)	(2,510,651)
Contributions to deposits protection fund	21	(143,422)	(143,501)
Net interest income before provision for impairment losses on interest bearing assets	21	**2,770,032**	**2,062,994**
Allowance for impairment losses on interest bearing assets	22	(2,765,131)	(428,290)
Net interest income		**4,901**	**1,634,704**
Fee and commission income	23	1,674,256	1,543,256
Fee and commission expense	23	(393,832)	(399,204)
Net (losses)/gains arising from investment securities available for sale		291	(23,349)
Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	24	936,894	(70,018)
Net (losses) arising from operations with precious metals and precious metals derivatives	24	(280,164)	(46,657)
Negative revaluation of office premises		–	–
Impairment of non-current asset held for sale		(6,251)	–
Loss on disposal of subsidiary	25	(33,161)	–
Reversal on other provisions/other provisions	22	577	1,622
Other income	26	352,291	130,222
Net non-interest income		**2,250,901**	**1,135,872**
Operating income		**2,255,802**	**2,770,576**
Operating expenses	27	(2,159,978)	(2,066,060)
Share of results of an associate	12	26,284	26,279
Profit before loss on net monetary position		**122,108**	**730,795**
Loss on net monetary position due to hyperinflation effect		–	(443,783)
Profit before income taxes		**122,108**	**287,012**
Income tax income/(expense)	28	68,316	(218,586)
Net profit		**190,424**	**68,426**
Attributable to:			
Shareholders of the parent Bank		190,653	68,416
Non-controlling interest		(229)	10
Net profit		**190,424**	**68,426**

Signed and authorized for release on behalf of the Management Board

Acting Chairman of the Board
Viktar A. Perepelitsa
9 March 2016
Minsk

Chief Accountant
Nina N. Ilyukevich
9 March 2016
Minsk

Consolidated statement of comprehensive income

For the year ended 31 December 2015

(in millions of Belarusian rubles)

	Notes	*Year ended 31 December 2015*	*Year ended 31 December 2014*
Net profit		**190,424**	**68,426**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net change in fair value of investments available for sale		9,454	3,573
Reclassification adjustments for (losses)/gains included in profit or loss from comprehensive income on disposal of investments available for sale		(291)	23,349
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**9,163**	**26,922**
Other comprehensive income not being reclassified to profit or loss in subsequent periods:			
Net change in income tax relating to office premises remeasurement		–	(2,810)
Net other comprehensive (loss)/income not being reclassified to profit or loss in subsequent periods		**–**	**(2,810)**
Other comprehensive income		**9,163**	**24,112**
Total comprehensive income		**199,587**	**92,538**
Attributable to:			
Shareholders of the parent		199,816	92,528
Minority interest		(229)	10
Total comprehensive income		**199,587**	**92,538**

Consolidated statement of changes in equity

For the year ended 31 December 2015

(in millions of Belarusian rubles)

	Notes	Share capital	Share premium	Revaluation reserve for office premises	Investments available for sale fair value deficit	Retained earnings	Total equity attributable to shareholders of the Bank	Non-controlling interest	Total equity
31 December 2013		**3,217,563**	**5,763**	**375,083**	**(19,375)**	**763,864**	**4,342,898**	**219**	**4,343,117**
Gain for the period		–	–	–	–	68,416	**68,416**	10	**68,426**
Other comprehensive income for the period		–	–	(2,810)	26,922	–	**24,112**	–	**24,112**
Total comprehensive income for the period		**–**	**–**	**(2,810)**	**26,922**	**68,416**	**92,528**	**10**	**92,538**
Amortisation of revaluation reserve for premises, net of tax		–	–	(18,527)	–	18,527	**–**	–	**–**
Disposal of premises		–	–	(68,823)	–	68,823	**–**	–	**–**
Dividends	20	–	–	–	–	(106,066)	**(106,066)**	–	**(106,066)**
31 December 2014		**3,217,563**	**5,763**	**284,923**	**7,547**	**813,564**	**4,329,360**	**229**	**4,329,589**
Gain for the period		–	–	–	–	190,653	**190,653**	(229)	**190,424**
Other comprehensive income for the period		–	–	–	9,163	–	**9,163**	–	**9,163**
Total comprehensive income for the period		**–**	**–**	**–**	**9,163**	**190,653**	**199,816**	**(229)**	**199,587**
Amortisation of revaluation reserve for premises, net of tax		–	–	(17,619)	–	17,619	**–**	–	**–**
Disposal of premises		–	–	(21)	–	21	**–**	–	**–**
Dividends	20	–	–	–	–	(436)	**(436)**	–	**(436)**
31 December 2015		**3,217,563**	**5,763**	**267,283**	**16,710**	**1,021,421**	**4,528,740**	**–**	**4,528,740**

Consolidated statement of cash flows

For the year ended 31 December 2015

(in millions of Belarusian rubles)

	Notes	*Year ended 31 December 2015*	*Year ended 31 December 2014*
Cash flows from operating activities			
Interest income		5,632,555	4,553,936
Interest expense		(3,080,963)	(2,517,430)
Fee and commission income		1,674,256	1,543,256
Fee and commission expense		(393,832)	(399,204)
Net gain on foreign exchange operations		833,416	249,126
Net gain on derivative financial instruments		4,377,723	1,278,664
Net gain/(loss) on disposal of investments available for sale		291	(23,349)
Net loss on precious metals		(36,750)	(7,344)
Other income		298,041	105,421
Operating expenses		(2,179,317)	(1,879,741)
Income taxes paid		(99,843)	(235,699)
Cash flows from operating activities before changes in operating assets and liabilities		**7,025,577**	**2,667,636**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of the Republic of Belarus		38,591	(21,536)
Due from banks		61,466	(64,473)
Loans to corporate customers		7,608,109	(299,613)
Loans to individuals		154,765	(413,054)
Other assets		147,163	173,464
Increase/(decrease) in operating liabilities:			
Loans from the National Bank of the Republic of Belarus		(150,806)	539,363
Due to banks		(8,815,501)	(3,680,330)
Due to individuals		378,728	1,487,702
Due to corporate customers		(1,886,009)	972,575
Debt securities issued		625,077	15,645
Other liabilities		(200,207)	55,217
Net cash inflow from operating activities		**4,986,953**	**1,432,596**

Consolidated statement of cash flows (continued)

	Notes	*Year ended 31 December 2015*	*Year ended 31 December 2014*
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(359,226)	(412,799)
Proceeds on sale of premises and equipment		243,367	58,826
Disposals of HFS assets		3,941	7,878
Purchase of investments available for sale		(5,176,403)	(289,240)
Proceeds on repayment of investments available for sale		–	244,484
Proceeds on repayment of investments held to maturity		263,841	30,000
Loss on disposal of subsidiary			–
Dividends received		12,288	11,465
Net cash outflow from investing activities		**(5,027,362)**	**(349,386)**
Cash flows from financing activities			
Dividends paid		(436)	(100,231)
Net cash outflow from financing activities		**(436)**	**(100,231)**
Effect of changes in foreign exchange rates on cash and cash equivalents		533,316	134,221
Hyperinflation effect on monetary assets and liabilities		–	(1,044,536)
Net decrease in cash and cash equivalents		(40,845)	982,979
Cash and cash equivalents, beginning of the year	5	5,666,401	5,593,737
Cash and cash equivalents, end of the year	5	**6,158,872**	**5,666,401**

(in millions of Belarusian rubles)

1. Organisation

Open Joint-Stock Company “BPS-Sberbank” (previous name − “BPS-Bank”), or OJSC BPS-Sberbank (the “Bank”), was established from the Belarusian branch of Promstroibank USSR and registered with the National Bank of the Republic of Belarus (the National Bank) as a closed joint-stock company on 28 December 1991. On 17 February 1993 the Bank was reorganized into an open joint stock company and accordingly registered by the National Bank. The Bank conducts its business under License of the National Bank for performing banking operations № 4 issued on 28 November 2014. The Bank accepts deposits from the public, issues loans and transfers payments in the Republic of Belarus and abroad, exchanges currencies and provides other banking services to its commercial and retail customers, including cash collection and operations with precious metals.

The registered office of the Bank is located at 6 Mulyavin Boulevard, 220005, Minsk, Republic of Belarus. As at 31 December 2015 the Bank had 6 regional directories and 32 banking service centers, as well as representative office in the Republic of Poland, Warsaw.

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

Name	*Country of operation*	*Proportion of ownership interest / voting rights, %* 31 December 2015	*Proportion of ownership interest / voting rights, %* 31 December 2014	*Type of operation*
Subsidiaries				
Limited Liability Company “Narochanskaya Niva 2004”	Republic of Belarus	−	98.72	Agriculture
Closed Joint Stock Company “SB-Global”	Republic of Belarus	99.90	99.90	Advisory activity
Closed Joint Stock Company “Service Desk”	Republic of Belarus	99.90	99.90	Information and communication services
Joint-Stock Company “INCASS.EXPERT”	Republic of Belarus	99.99	−	Cash delivery and collection
Associates				
Closed Joint Stock Company “BPS-Leasing”	Republic of Belarus	49.00	49.00	Finance lease activities
Closed Joint Stock Insurance Company “TASK”	Republic of Belarus	25.60	25.60	Insurance services
Limited Liability Company “Sberbank-Technologies”	Republic of Belarus	25.00	25.00	Software development and consulting

The average number of employees of the Group during year, ended 31 December 2015, and year, ended 31 December 2014 was 4,221 and 4,487 persons, respectively.

As at 31 December 2015 and 31 December 2014 the following shareholders owned the issued shares of the Bank:

Shareholder	*31 December 2015, %*	*31 December 2014, %*
Sberbank	98.43	98.43
Other	1.57	1.57
Total	**100.00**	**100.00**

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

On 4 August 2015 Savings Bank of the Russian Federation (Sberbank) was renamed to Sberbank of Russia (Sberbank).

These consolidated financial statements were authorized for issue by the Management Board on 9 March 2016.

(in millions of Belarusian rubles)

2. Basis of presentation

Accounting basis

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

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

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

Accounting for the effects of hyperinflation

With the effect from 1 January 2011 until 31 December 2014, the Belarusian economy is considered to be hyperinflationary in accordance with the criteria in IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29").

Starting 1 January 2015, the economy of the Republic of Belarus is no longer considered to be hyperinflationary and values of the Group's non-monetary assets, liabilities and equity as stated in measuring units at 31 December 2014 have formed the basis for the amounts carried forward to 1 January 2015.

Functional and presentation currency

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

3. Significant accounting policies

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee;
- the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- the contractual arrangements with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

Investments in an associate

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Fair value measurement

The Group measures financial instruments, such as trading and available-for-sale securities, derivatives and non-financial assets such as investment property, at fair value at each balance sheet date. Fair values of financial instruments measured at amortised cost are disclosed in Note 32.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 − quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 − valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 − valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category “financial assets at fair value through profit or loss”. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in profit or loss.

Held-to-maturity investments

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

Loans and receivables

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

Available-for-sale financial assets

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

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

- the normal course of business;
- the event of default; and
- the event of insolvency or bankruptcy of the entity and all of the counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Reclassification of financial assets

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

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

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

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

Measurement of financial instruments at initial recognition

When financial instruments are recognised initially, they are measured at fair value, adjusted, in the case of instruments not at fair value through profit or loss, for directly attributable fees and costs.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price. If the Group determines that the fair value at initial recognition differs from the transaction price, then:

- if the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e., a Level 1 input) or based on a valuation technique that uses only data from observable markets, the Group recognises the difference between the fair value at initial recognition and the transaction price as a gain or loss;
- in all other cases, the initial measurement of the financial instrument is adjusted to defer the difference between the fair value at initial recognition and the transaction price. After initial recognition, the Group recognises that deferred difference as a gain or loss only when the inputs become observable, or when the instrument is derecognized.

Derecognition of financial assets and liabilities

Financial assets

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

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

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

Financial liabilities

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

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

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Impairment of financial assets

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

Amounts due from credit institutions and loans to customers

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

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

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

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

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

Held-to-maturity financial investments

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

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

(in millions of Belarusian rubles)

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

Renegotiated loans

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

The accounting treatment of such restructuring is as follows:

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

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

Cash and cash equivalents

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

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Belarus with original maturity up to 1 day, loans and advances to banks and reverse sale and repurchase agreements with original maturity up to 1 day, except for guarantee deposits and other amounts of a restricted nature. For purposes of determining cash flows, the mandatory reserve deposit required by the National Bank of the Republic of Belarus is not included as a cash equivalent due to restrictions on its availability.

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

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

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Precious metals

Physical precious metals are recorded at the lower of cost and net realizable value on the reporting date. Assets and liabilities in monetary precious metals are recognized at accounting prices on precious metals of the National bank. Changes in accounting prices of the National bank are recorded as net result from revaluation of precious metals.

Due from banks

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

Derivative financial instruments

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

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

Securities repurchase and reverse repurchase agreements

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

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

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

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

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Finance leases

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

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

The Group as a lessor

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

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

Operating leases

The Group as lessee

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

The Group as lessor

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

Premises, equipment and intangible assets

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

Intangible assets are carried at hyperinflated cost less accumulated depreciation and any recognized impairment loss.

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

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

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

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Premises, equipment and intangible assets (continued)

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

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

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

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

	31 December 2015	***31 December 2014***
Premises	1.0%-2.5%	1.0%-2.5%
Vehicles	12.5%	12.5%
Computer equipment	10.0%-20.0%	10.0%-20.0%
Furniture and other assets	10.0%-20.0%	10.0%-20.0%
Intangible assets	15.0%-33.0%	15.0%-33.0%

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

Assets classified as held for sale

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

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

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

Taxation

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

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

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

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

Starting from the year 2014 deferred income tax assets and deferred income tax liabilities for each legal entity, member of the Group is offset and reported net on the consolidated statement of financial position individually as far as:

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

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

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

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

Provisions

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

Financial guarantee contracts issued and letters of credit

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

Contingencies

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

Share capital

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

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

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Retirement and other benefit obligations

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

Recognition of income and expenses

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

Interest and similar income and expense

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

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

Fee and commission income

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

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

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

► *Fee income from providing transaction services*

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

Dividend income

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

(in millions of Belarusian rubles)

3. Significant accounting policies (continued)

Foreign currency translation

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

Rates of exchange

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

	31 December 2015	***31 December 2014***
BYR/USD	18,569.00	11,850.00
BYR/EUR	20,300.00	14,380.00
BYR/RUB	255.33	214.50

Segment reporting

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

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

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

Changes in accounting policies

The Group has adopted the following amended IFRS which are effective for annual periods beginning on or after 1 January 2015:

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

IAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group, since none of the entities within the Group has defined benefit plans with contributions from employees or third parties.

(in millions of Belarusian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Annual improvements 2010-2012 cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these consolidated financial statements. They include:

IFRS 2 Share-based Payment

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- a performance condition must contain a service condition;
- a performance target must be met while the counterparty is rendering service;
- a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group;
- a performance condition may be a market or non-market condition;
- if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

The above definitions are consistent with how the Group has identified any performance and service conditions which are vesting conditions in previous periods, and thus these amendments do not impact the Group's accounting policies.

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of IFRS 9 (or IAS 39, as applicable). This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IFRS 8 Operating Segments

The amendments are applied retrospectively and clarifies that:

- an entity must disclose the judgments made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are "similar";
- the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The Group has not applied the aggregation criteria in IFRS 8.12. The Group has presented the reconciliation of segment assets to total assets in previous periods and continues to disclose the same in Note 31 in these consolidated financial statements as the reconciliation is reported to the chief operating decision maker for the purpose of her decision making.

IFRS 13 Short-term Receivables and Payables − Amendments to IFRS 13

This amendment to IFRS 13 clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This is consistent with the Group's current accounting policy, and thus this amendment does not impact the Group's accounting policy.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. The Group did not record any revaluation adjustments during the current period.

IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Group as it does not receive any management services from other entities.

(in millions of Belarusian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Annual improvements 2011-2013 cycle

These improvements are effective from 1 July 2014 and the Group has applied these amendments for the first time in these i consolidated financial statements. They include:

IFRS 3 Business Combinations

The amendment is applied prospectively and clarifies for the scope exceptions within IFRS 3 that:

- joint arrangements, not just joint ventures, are outside the scope of IFRS 3;
- this scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

Group is not a joint arrangement, and thus this amendment is not relevant for the Group and its subsidiaries.

IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IFRS 9 (or IAS 39, as applicable). The Group does not apply the portfolio exception in IFRS 13.

IAS 40 Investment Property

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or business combination. In previous periods, the Group has relied on IFRS 3, not IAS 40, in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Group.

Meaning of "effective IFRSs" − Amendments to IFRS 1

The amendment clarifies in the Basis for Conclusions that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 had no impact on the Group, since the Group is an existing IFRS preparer.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group expects a significant impact on its equity due to adoption of IFRS 9 impairment requirements, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

(in millions of Belarusian rubles)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Revenue arising from lease contracts within the scope of IAS 17 *Leases*, insurance contracts within the scope of IFRS 4 *Insurance Contracts* and financial instruments and other contractual rights and obligations within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* (or IFRS 9 *Financial Instruments,* if early adopted) is out of IFRS 15 scope and is dealt by respective standards.

Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 14 Regulatory Deferral Accounts

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer, this standard would not apply.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.

(in millions of Belarusian rubles)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IAS 27 Equity Method in Separate Financial Statements

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of IFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. The Group currently considers whether to apply these amendments for preparation of its separate financial statements. These amendments will not have any impact on the Group's consolidated financial statements.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. The amendments clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The amendments are applied prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- the materiality requirements in IAS 1;
- that specific line items in the statement(s) of profit or loss and OCI and the statement of financial position may be disaggregated;
- that entities have flexibility as to the order in which they present the notes to financial statements;
- that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Group.

(in millions of Belarusian rubles)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Annual improvements 2012-2014 cycle

These improvements are effective on or after 1 January 2016 and are not expected to have a material impact on the Group. They include:

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations − changes in methods of disposal

Assets (or disposal groups) are generally disposed of either through sale or through distribution to owners. The amendment to IFRS 5 clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification. The amendment must be applied prospectively to changes in methods of disposal that occur in annual periods beginning on or after 1 January 2016, with earlier application permitted.

IFRS 7 Financial Instruments: Disclosures − servicing contracts

IFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognised in its entirety. The Board was asked whether servicing contracts constitute continuing involvement for the purposes of applying these disclosure requirements. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in paragraphs IFRS 7.B30 and IFRS 7.42C in order to assess whether the disclosures are required. The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

IFRS 7 Financial Instruments: Disclosures − applicability of the offsetting disclosures to condensed interim financial statements

In December 2011, IFRS 7 was amended to add guidance on offsetting of financial assets and financial liabilities. In the effective date and transition for that amendment IFRS 7 states that an entity shall apply those amendments for annual periods beginning on or after 1 January 2013 and interim periods within those annual periods. The interim disclosure standard, IAS 34, does not reflect this requirement, however, and it is not clear whether those disclosures are required in the condensed interim financial report.

The amendment removes the phrase "and interim periods within those annual periods", clarifying that these IFRS 7 disclosures are not required in the condensed interim financial report. The amendment must be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 19 Employee Benefits − regional market issue regarding discount rate

The amendment to IAS 19 clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

The amendment must be applied for annual periods beginning on or after 1 January 2016, with earlier application permitted.

IAS 34 Interim Financial Reporting − disclosure of information "elsewhere in the interim financial report"

The amendment states that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete. The amendment should be applied retrospectively for annual periods beginning on or after 1 January 2016, with earlier application permitted.

The Group is considering the implications of the new standards, the impact on the Group and the timing of their adoption by the Group.

(in millions of Belarusian rubles)

4. Areas of significant management judgment and sources of estimation uncertainty

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

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

Transfer of risks and rewards

During the year ended 31 December 2013 the Group has entered into Funded Participation Deals. The Group issued loans to its corporate customers (assets side) funded by the banks of Sberbank of Russia Group (liability side). The Group acts as Bank-Agent for the banks, which funded corporate loans (Banks-Participants).

Terms of Funded Participation agreement provides that Bank-Agent has no obligation to pay amounts to the Bank-Participant unless it collects equivalent amounts from its corporate customers.

Thus, all risks and rewards are owned by Bank-Participants.

Allowance for loan impairment

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

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

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

Available-for-sale financial instruments

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

(in millions of Belarusian rubles)

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

Available-for-sale financial instruments (continued)

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

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

Deferred income tax assets

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

Derivative financial instruments

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

Provisions for financial guarantees and other contingent liabilities

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

Revaluation of office premises

The Group regularly reviews the value of its office premises for compliance with fair value and performs revaluation to ensure that the current carrying amount of office premises does not differ from its fair value by more than 10%.

Office premises have been revalued to market value by an independent professional appraiser since 31 December 2010. Revalued office premises are depreciated in accordance with their remaining useful life.

The Group conducted an impairment test on the office premises on regular basis. The impairment test has been carried out under Group's own team, using information about the current real estate transactions on the property market in Minsk and regions.

5. Cash and cash equivalents

	31 December 2015	*31 December 2014*
Current accounts with the National Bank	2,412,387	2,817,995
Cash	1,561,848	1,676,237
Correspondent accounts and placements with other banks:		
- Belarus	12,724	128,528
- Other countries	2,127,914	960,037
Settlements with non-bank financial institutions	43,999	83,604
Total cash and cash equivalents	**6,158,872**	**5,666,401**

Correspondent accounts and placements with other banks mostly represent balances with the largest foreign banks and top rated Belarusian banks. In particular, the balance on correspondent accounts of four large foreign banks at 31 December 2015 amounted BYR 2,031,276 million or 95.5% of the balance on correspondent accounts and placements with banks of other countries.

(in millions of Belarusian rubles)

5. Cash and cash equivalents (continued)

As at 31 December 2014 the balance on correspondent accounts of five large foreign banks amounted BYR 948,642 million or 98.8% of the balance on correspondent accounts and placements with banks of other countries.

Analysis by credit quality of the balances with counterparty banks as at 31 December 2015 made on the basis of ratings of international rating agencies is as follows:

	Investment rating	*Speculative rating*	*Not rated*	*Total*
Correspondent accounts and placements with other banks:				
- Belarus	–	12,645	79	**12,724**
- Other countries	2,104,970	649	22,295	**2,127,914**
Total	**2,104,970**	**13,294**	**22,374**	**2,140,638**

Analysis by credit quality of the balances with counterparty banks as at 31 December 2014 made on the basis of ratings of international rating agencies is as follows:

	Investment rating	*Speculative rating*	*Not rated*	*Total*
Correspondent accounts and placements with other banks:				
- Belarus	–	126,679	1,849	**128,528**
- Other countries	955,883	–	4,154	**960,037**
Total	**955,883**	**126,679**	**6,003**	**1,088,565**

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

As at 31 December 2015 and 31 December 2014 all cash and cash equivalents are neither past due nor impaired.

6. Due from banks

Due from banks comprise:

	31 December 2015	*31 December 2014*
Time deposits and loans to banks:		
- Belarus	94,289	51,451
- Other countries	14,400	7,000
Total due from banks	**108,689**	**58,451**

Time deposits and loans to banks represent balances with top rated Belarusian and foreign banks.

Analysis by credit quality of the balances with counterparty banks as at 31 December 2014 made on the basis of ratings of international rating agencies is as follows:

	Investment rating	*Speculative rating*	*Total*
Time deposits and loans to banks:			
- Belarus	–	94,289	**94,289**
- Other countries	14,400	–	**14,400**
Total	**14,400**	**94,289**	**108,689**

(in millions of Belarusian rubles)

6. Due from banks (continued)

Analysis by credit quality of the balances with counterparty banks as at 31 December 2014 made on the basis of ratings of international rating agencies is as follows:

	Speculative rating	*Not rated*	*Total*
Time deposits and loans to banks:			
- Belarus	–	51,451	**51,451**
- Other countries	7,000	–	**7,000**
Total	**7,000**	**51,451**	**58,451**

As at 31 December 2015 and 31 December 2014 included in due from banks are long-term loans issued to JSC "Belagroprombank" under the Government's program on financing for acquisition of agricultural equipment for the total amount of BYR 31,151 million and BYR 51,451 million, respectively, with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National Bank.

7. Derivative financial instruments

As at 31 December 2015 and 31 December 2014 derivative financial instruments comprise:

Derivative type	*Nominal amount (in units of currency to be purchased)*	*Fair value as at 31 December 2015*	
		Asset	*Liability*
EUR/BYR foreign currency swap	EUR 117,621,077	1,839,899	–
USD/BYR foreign currency swap	USD 71,380,651	1,076,955	58
USD/EUR foreign currency forward	USD 160,699,810	309	345
BYR/EUR foreign currency swap	BYR 67,287,726,000	298	–
RUB/USD foreign currency forward	RUB 240,640,000	165	–
EUR/USD foreign currency forward	EUR 6,150,000	37	–
PLN/USD foreign currency forward	PLN 100,000	2	–
XAG/USD precious metals forward	XAG 4,198,973	–	36
XPT/USD precious metals forward	XPT 52,876	–	234
XAU/USD precious metals forward	XAU 738,708	–	555
EUR/RUB foreign currency forward	EUR 3,000,000	–	872
USD/RUB foreign currency forward	USD 54,700,000	–	5,158
Total derivative financial instruments		**2,917,665**	**7,258**

Derivative type	*Nominal amount (in units of currency to be purchased)*	*Fair value as at 31 December 2014*	
		Asset	*Liability*
EUR/BYR foreign currency swap	EUR 211,226,602	2,127,028	–
XAU/BYR precious metals swap	XAU 5,005,000	1,633,049	–
USD/BYR foreign currency swap	USD 158,879,583	830,660	–
RUB/USD foreign currency forward	RUB 297,432,500	2,774	2
USD/EUR foreign currency forward	USD 6,694,530	240	–
XAG/USD precious metals swap	XAG 3,110,350	52	–
BYR/USD foreign currency forward	BYR 17,591,419	–	–
XPT/USD precious metals swap	XPT 96,421	–	98
EUR/RUB foreign currency forward	EUR 500,000	–	206
EUR/USD foreign currency forward	EUR 9,000,000	–	248
XAU/USD precious metals swap	XAU 668,725	–	3,611
USD/RUB foreign currency forward	USD 10,750,000	–	8,899
RUB/EUR foreign currency forward	RUB 178,572,997	–	25,567
Total derivative financial instruments		**4,593,803**	**38,631**

As at 31 December 2015 derivative financial instruments mainly comprised swap contracts with the National Bank to purchase foreign currency for Belarusian rubles. As at 31 December 2014 derivative financial instruments mainly comprised swap contracts with the National Bank to purchase precious metals for Belarusian rubles.

(in millions of Belarusian rubles)

7. Derivative financial instruments (continued)

On 10th October, 2014, the National Bank of the Republic of Belarus has resolved to refinance forward deal (pair euro − Belarusian ruble), concluded with the Bank. In the aftermath of the aforesaid decision the Group has purchased foreign currency bonds of the National Bank in the amount of 140,000 bonds with nominal EUR 1,000 totaling EUR 140 mln., and at the same the Group has recognised issued loan to the National Bank, totaling BYR 596,579 mln. Considering specific conditions of the deal, purchasing of the aforesaid bonds and issuing of the loan were treated as the prolongation of the matured forward deal and recognised at fair value.

8. Loans to customers

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 December 2015 and 31 December 2014.

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

31 December 2015	*Not past due loans*	*Past due loans*	*Total*
Commercial loans to legal entities	11,369,593	2,641,014	**14,010,607**
Specialized loans to legal entities	13,932,776	1,997,410	**15,930,186**
Consumer and other loans to individuals	719,269	60,376	**779,645**
Credit cards and overdrafts	257,671	16,844	**274,515**
Mortgage loans to individuals	589,303	36,829	**626,132**
Car loans to individuals	71,224	5,004	**76,228**
Total loans to customers before allowance for loan impairment	**26,939,836**	**4,757,477**	**31,697,313**
Less: allowance for loan impairment	(1,862,397)	(2,023,780)	**(3,886,177)**
Total loans to customers net of allowance for loan impairment	**25,077,439**	**2,733,697**	**27,811,136**

31 December 2014	*Not past due loans*	*Past due loans*	*Total*
Commercial loans to legal entities	11,228,467	675,774	**11,904,241**
Specialized loans to legal entities	12,535,874	564,628	**13,100,502**
Consumer and other loans to individuals	863,739	36,562	**900,301**
Credit cards and overdrafts	272,179	7,053	**279,232**
Mortgage loans to individuals	581,836	26,003	**607,839**
Car loans to individuals	75,017	2,415	**77,432**
Total loans to customers before allowance for loan impairment	**25,557,112**	**1,312,435**	**26,869,547**
Less: allowance for loan impairment	(1,024,115)	(299,249)	**(1,323,364)**
Total loans to customers net of allowance for loan impairment	**24,532,997**	**1,013,186**	**25,546,183**

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

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

Consumer and other individual loans comprise loans to individuals other than housing acquisition, construction and repair of real estate as well as car loans and credit cards and overdrafts.

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

(in millions of Belarusian rubles)

8. Loans to customers (continued)

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

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

For the purpose of these consolidated financial statements, all not past due collectively assessed loans to legal entities are classified in three quality groups being of the highest quality:

Legal entities

- The 1-st group includes borrowers with high level of liquidity and profitability as well as high capital adequacy ratio. The probability of breach of loan agreement terms is assessed as low.
- The 2-nd group includes borrowers with average level of liquidity and profitability as well as average capital adequacy ratio. The probability of breach of loan agreement terms is assessed as moderate.
- The 3-rd group includes borrowers with satisfactory level of liquidity and profitability as well as moderate capital adequacy ratio. The probability of breach of loan agreement terms is assessed as above moderate.

Individuals

- The 1-st group of these loans to individuals is represented by loans with good debt servicing and excellent financial position of a borrower.
- The 2-nd group is represented by loans with good/average debt servicing and excellent/moderate financial position of a borrower.
- The 3-rd group is represented by loans with average debt servicing and moderate financial position of a borrower.

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2015:

31 December 2015	***1 group***	***2 group***	***3 group***	***Total***
Commercial loans to legal entities	9,467,617	73,172	11,849	**9,552,638**
Specialized loans to legal entities	8,529,270	18,235	123	**8,547,628**
Consumer and other loans to individuals	718,332	503	434	**719,269**
Credit cards and overdrafts	257,671	–	–	**257,671**
Mortgage loans to individuals	588,954	22	327	**589,303**
Car loans to individuals	71,224	–	–	**71,224**
Total not past due collectively assessed loans before provision for loan impairment	**19,633,068**	**91,932**	**12,733**	**19,737,733**

The table below shows the credit quality analysis of the Group's not past due collectively assessed loans before provision for loan impairment as at 31 December 2014:

31 December 2014	***1 group***	***2 group***	***3 group***	***Total***
Commercial loans to legal entities	9,653,597	59,102	456	**9,713,155**
Specialized loans to legal entities	9,395,447	118,504	499	**9,514,450**
Consumer and other loans to individuals	863,482	136	121	**863,739**
Credit cards and overdrafts	272,179	–	–	**272,179**
Mortgage loans to individuals	581,146	690	–	**581,836**
Car loans to individuals	75,017	–	–	**75,017**
Total not past due collectively assessed loans before provision for loan impairment	**20,840,868**	**178,432**	**1,076**	**21,020,376**

(in millions of Belarusian rubles)

8. Loans to customers (continued)

The table below shows the analysis of loans and allowance for loan impairment as at 31 December 2015:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities				
Individually assessed but not impaired and collectively assessed loans				
Not past due	9,552,638	(256,323)	9,296,315	2.7%
Loans up to 30 days overdue	2,427	(68)	2,359	2.8%
Loans 31 to 60 days overdue	193,012	(2,030)	190,982	1.1%
Loans 61 to 90 days overdue	203,626	(3,322)	200,304	1.6%
Loans 91 up to 180 days overdue	87,527	(1,415)	86,112	1.6%
Loans over 180 days overdue	337,994	(63,363)	274,631	18.7%
Total collectively assessed loans	**10,377,224**	**(326,521)**	**10,050,703**	**3.1%**
Individually impaired				
Not past due	1,816,955	(164,228)	1,652,727	9.0%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	264,391	(94,072)	170,319	35.6%
Loans 61 to 90 days overdue	578,219	(341,103)	237,116	59.0%
Loans 91 up to 180 days overdue	277,313	(159,673)	117,640	57.6%
Loans over 180 days overdue	696,505	(377,503)	319,002	54.2%
Total individually impaired loans	**3,633,383**	**(1,136,579)**	**2,496,804**	**31.3%**
Total commercial loans to legal entities	**14,010,607**	**(1,463,100)**	**12,547,507**	**10.4%**
Specialized loans to legal entities				
Individually assessed but not impaired and collectively assessed loans				
Not past due	8,547,628	(532,136)	8,015,492	6.2%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	118,952	(11,360)	107,592	9.6%
Loans 61 to 90 days overdue	46,039	(10,549)	35,490	22.9%
Loans 91 up to 180 days overdue	86,187	(9,568)	76,619	11.1%
Loans over 180 days overdue	78,141	(22,061)	56,080	28.2%
Total collectively assessed loans	**8,876,947**	**(585,674)**	**8,291,273**	**6.6%**
Individually impaired				
Not past due	5,385,148	(890,183)	4,494,965	16.5%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	12,723	(2,869)	9,854	22.5%
Loans 61 to 90 days overdue	91,183	(19,652)	71,531	21.6%
Loans 91 up to 180 days overdue	764,417	(440,577)	323,840	57.6%
Loans over 180 days overdue	799,768	(393,255)	406,513	49.2%
Total individually impaired loans	**7,053,239**	**(1,746,536)**	**5,306,703**	**24.8%**
Total specialized loans to legal entities	**15,930,186**	**(2,332,210)**	**13,597,976**	**14.6%**
Total loans to legal entities	**29,940,793**	**(3,795,310)**	**26,145,483**	**12.7%**

(in millions of Belarusian rubles)

8. Loans to customers (continued)

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Consumer and other loans to individuals				
Collectively assessed				
Not past due	719,269	(2,567)	716,702	0.4%
Loans up to 30 days overdue	15,184	(2,339)	12,845	15.4%
Loans 31 to 60 days overdue	4,995	(2,631)	2,364	52.7%
Loans 61 to 90 days overdue	2,765	(2,763)	2	99.9%
Loans 91 up to 180 days overdue	6,511	(6,511)	–	100.0%
Loans over 180 days overdue	30,921	(30,921)	–	100.0%
Total consumer and other loans to individuals	**779,645**	**(47,732)**	**731,913**	**6.1%**
Credit cards and overdrafts				
Collectively assessed				
Not past due	257,671	(14,107)	243,564	5.5%
Loans up to 30 days overdue	16,844	(923)	15,921	5.5%
Loans 31 to 60 days overdue	–	–	–	–
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	–	–	–	–
Loans over 180 days overdue	–	–	–	–
Total credit cards and overdrafts	**274,515**	**(15,030)**	**259,485**	**5.5%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	589,303	(2,502)	586,801	0.4%
Loans up to 30 days overdue	15,620	(2,395)	13,225	15.3%
Loans 31 to 60 days overdue	3,881	(2,375)	1,506	61.2%
Loans 61 to 90 days overdue	3,150	(2,639)	511	83.8%
Loans 91 up to 180 days overdue	2,701	(2,701)	–	100.0%
Loans over 180 days overdue	11,477	(11,477)	–	100.0%
Total mortgage loans to individuals	**626,132**	**(24,089)**	**602,043**	**3.8%**
Car loans to individuals				
Collectively assessed				
Not past due	71,224	(351)	70,873	0.5%
Loans up to 30 days overdue	1,433	(283)	1,150	19.7%
Loans 31 to 60 days overdue	602	(422)	180	70.1%
Loans 61 to 90 days overdue	171	(162)	9	94.7%
Loans 91 up to 180 days overdue	690	(690)	–	100.0%
Loans over 180 days overdue	2,108	(2,108)	–	100.0%
Total car loans to individuals	**76,228**	**(4,016)**	**72,212**	**5.3%**
Total loans to individuals	**1,756,520**	**(90,867)**	**1,665,653**	**5.2%**
Total loans and advances to customers as at 31 December 2015	**31,697,313**	**(3,886,177)**	**27,811,136**	**12.3%**

(in millions of Belarusian rubles)

8. Loans to customers (continued)

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

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities				
Individually assessed but not impaired and collectively assessed loans				
Not past due	9,713,155	(192,009)	9,521,146	2.0%
Loans up to 30 days overdue	40,454	(507)	39,947	1.3%
Loans 31 to 60 days overdue	53,471	(2,033)	51,438	3.8%
Loans 61 to 90 days overdue	97,921	(613)	97,308	0.6%
Loans 91 up to 180 days overdue	53,362	(1,058)	52,304	2.0%
Loans over 180 days overdue	89,566	(33,043)	56,523	36.9%
Total collectively assessed loans	**10,047,929**	**(229,263)**	**9,818,666**	**2.3%**
Individually impaired				
Not past due	1,515,312	(153,406)	1,361,906	10.1%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	7,725	(443)	7,282	5.7%
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	73,046	(16,752)	56,294	22.9%
Loans over 180 days overdue	260,229	(145,507)	114,722	55.9%
Total individually impaired loans	**1,856,312**	**(316,108)**	**1,540,204**	**17.0%**
Total commercial loans to legal entities	**11,904,241**	**(545,371)**	**11,358,870**	**4.6%**
Specialized loans to legal entities				
Individually assessed but not impaired and collectively assessed loans				
Not past due	9,514,450	(210,734)	9,303,716	2.2%
Loans up to 30 days overdue	11,256	(150)	11,106	1.3%
Loans 31 to 60 days overdue	321,221	(7,857)	313,364	2.4%
Loans 61 to 90 days overdue	88,777	(1,920)	86,857	2.2%
Loans 91 up to 180 days overdue	24,759	(382)	24,377	1.5%
Loans over 180 days overdue	48,578	(9,572)	39,006	19.7%
Total collectively assessed loans	**10,009,041**	**(230,615)**	**9,778,426**	**2.3%**
Individually impaired				
Not past due	3,021,424	(457,411)	2,564,013	15.1%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	5,387	(1,223)	4,164	22.7%
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	–	–	–	–
Loans over 180 days overdue	64,650	(37,561)	27,089	58.1%
Total individually impaired loans	**3,091,461**	**(496,195)**	**2,595,266**	**16.1%**
Total specialized loans to legal entities	**13,100,502**	**(726,810)**	**12,373,692**	**5.5%**
Total loans to legal entities	**25,004,743**	**(1,272,181)**	**23,732,562**	**5.1%**

(in millions of Belarusian rubles)

8. Loans to customers (continued)

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Consumer and other loans to individuals				
Collectively assessed				
Not past due	863,739	(3,136)	860,603	0.4%
Loans up to 30 days overdue	13,511	(2,477)	11,034	18.3%
Loans 31 to 60 days overdue	3,189	(2,484)	705	77.9%
Loans 61 to 90 days overdue	2,573	(2,573)	–	100.0%
Loans 91 up to 180 days overdue	4,162	(4,162)	–	100.0%
Loans over 180 days overdue	13,127	(13,127)	–	100.0%
Total consumer and other loans to individuals	**900,301**	**(27,959)**	**872,342**	**3.1%**
Credit cards and overdrafts				
Collectively assessed				
Not past due	272,179	(6,726)	265,453	2.5%
Loans up to 30 days overdue	7,053	(174)	6,879	2.5%
Loans 31 to 60 days overdue	–	–	–	–
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	–	–	–	–
Loans over 180 days overdue	–	–	–	–
Total credit cards and overdrafts	**279,232**	**(6,900)**	**272,332**	**2.5%**
Mortgage loans to individuals				
Collectively assessed				
Not past due	581,836	(490)	581,346	0.1%
Loans up to 30 days overdue	11,411	(426)	10,985	3.7%
Loans 31 to 60 days overdue	1,153	(469)	684	40.7%
Loans 61 to 90 days overdue	1,968	(1,626)	342	82.6%
Loans 91 up to 180 days overdue	4,042	(4,042)	–	100.0%
Loans over 180 days overdue	7,429	(7,429)	–	100.0%
Total mortgage loans to individuals	**607,839**	**(14,482)**	**593,357**	**2.4%**
Car loans to individuals				
Collectively assessed				
Not past due	75,017	(203)	74,814	0.3%
Loans up to 30 days overdue	560	(110)	450	19.6%
Loans 31 to 60 days overdue	568	(245)	323	43.1%
Loans 61 to 90 days overdue	9	(6)	3	66.7%
Loans 91 up to 180 days overdue	–	–	–	–
Loans over 180 days overdue	1,278	(1,278)	–	100.0%
Total car loans to individuals	**77,432**	**(1,842)**	**75,590**	**2.4%**
Total loans to individuals	**1,864,804**	**(51,183)**	**1,813,621**	**2.7%**
Total loans and advances to customers as at 31 December 2014	**26,869,547**	**(1,323,364)**	**25,546,183**	**4.9%**

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

(in millions of Belarusian rubles)

8. Loans to customers (continued)

As at 31 December 2015 the outstanding non-performing loans were as follows:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities	1,399,339	(601,954)	797,385	43.0%
Specialised loans to legal entities	1,728,513	(865,461)	863,052	50.1%
Consumer and other loans to individuals	37,432	(37,432)	–	100.0%
Mortgage loans to individuals	14,178	(14,178)	–	100.0%
Car loans to individuals	2,798	(2,798)	–	100.0%
Total non-performing loans to customers as at 31 December 2015	**3,182,260**	**(1,521,823)**	**1,660,437**	**47.8%**

As at 31 December 2014 the outstanding non-performing loans were as follows:

	Gross loans	*Allowance for loan impairment*	*Net loans*	*Allowance for loan impairment to gross loans*
Commercial loans to legal entities	476,203	(196,360)	279,843	41.2%
Specialised loans to legal entities	137,987	(47,515)	90,472	34.4%
Consumer and other loans to individuals	17,289	(17,289)	–	100.0%
Mortgage loans to individuals	11,471	(11,471)	–	100.0%
Car loans to individuals	1,278	(1,278)	–	100.0%
Total non-performing loans to customers as at 31 December 2014	**644,228**	**(273,913)**	**370,315**	**42.5%**

Movements in allowances for impairment losses for the periods ended 31 December 2015 and 31 December 2014 are disclosed in Note 22.

Information on loans which terms have been renegotiated, as at 31 December 2015 and 31 December 2014 is presented in the tables below. It shows the carrying amount for renegotiated loans by class.

	31 December 2015	*31 December 2014*
Commercial loans to legal entities	837,863	679,179
Specialised loans to legal entities	172,252	220,962
Consumer and other loans to individuals	606	514
Mortgage loans to individuals	5,563	4,482
Car loans to individuals	31	94
Total renegotiated loans before allowance for loan impairment	**1,016,315**	**905,231**

The loans to legal entities within the business size of borrowers as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	*31 December 2014*
Largest clients	8,904,200	7,273,355
Large clients	14,329,339	12,718,122
Medium business	2,998,153	2,048,051
Small business	3,709,101	2,965,215
Total loans to legal entities before allowance for loan impairment	**29,940,793**	**25,004,743**

(in millions of Belarusian rubles)

8. Loans to customers (continued)

Included in commercial loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 31 December 2015 and 31 December 2014 is as follows:

	31 December 2015	*31 December 2014*
Gross investment in finance lease	70,128	169,357
Unearned future finance income on finance lease	(23,599)	(42,395)
Net investment in finance lease before allowance for impairment	**46,529**	**126,962**
Less allowance for impairment	(13,477)	(4,439)
Net investment in finance lease after allowance for impairment	**33,052**	**122,523**

The contractual maturity analysis of net investments in finance lease as at 31 December 2015 is as follows:

	Net investment in finance lease before allowance for impairment	*Allowance for loan impairment*	*Net investment in finance lease after allowance for impairment*
Not later than 1 year	33,930	(9,828)	24,102
Later than 1 year but not later than 5 years	12,599	(3,649)	8,950
Later than 5 years	–	–	–
Total as at 31 December 2015	**46,529**	**(13,477)**	**33,052**

The contractual maturity analysis of net investments in finance lease as at 31 December 2014 is as follows:

	Net investment in finance lease before allowance for impairment	*Allowance for loan impairment*	*Net investment in finance lease after allowance for impairment*
Not later than 1 year	48,187	(1,685)	46,502
Later than 1 year but not later than 5 years	78,574	(2,747)	75,827
Later than 5 years	201	(7)	194
Total as at 31 December 2014	**126,962**	**(4,439)**	**122,523**

The analysis of minimal finance lease receivables as at 31 December 2015 and 31 December 2014 per contractual maturity is as follows:

	31 December 2015	*31 December 2014*
Not later than 1 year	51,474	70,806
Later than 1 year but not later than 5 years	18,654	98,334
Later than 5 years	–	217
Total	**70,128**	**169,357**

(in millions of Belarusian rubles)

8. Loans to customers (continued)

Economic sector risk concentrations within the customer loan portfolio as 31 at December 2015 and 31 December 2014 are as follows:

	31 December 2015		*31 December 2014*	
	Amount	***%***	***Amount***	***%***
Real estate	7,753,191	24.3	4,718,042	17.5
Trade and catering	5,203,211	16.4	3,697,490	13.8
Machinery and equipment	4,052,862	12.8	4,667,104	17.3
Food	3,008,909	9.5	2,241,502	8.3
Chemical and oil refinery industry	1,787,837	5.6	1,041,708	3.9
Individuals	1,756,520	5.5	1,864,804	6.9
Construction	1,173,649	3.7	1,386,851	5.2
Financial services	1,012,749	3.2	676,245	2.4
Building materials	862,435	2.7	689,662	2.6
Metallurgy	746,413	2.4	427,770	1.6
Timber and woodworking industry	716,338	2.3	2,431,555	9.0
Energy and fuel	561,105	1.8	418,172	1.6
Light industry	558,317	1.8	553,719	2.1
Transport and communication	495,554	1.6	508,336	1.9
Agriculture	462,121	1.5	311,343	1.2
Mining	239,798	0.8	368,036	1.4
Other	1,306,304	4.1	867,208	3.2
Total loans to customers before allowance for loan impairment	**31,697,313**	**100.0**	**26,869,547**	**100.0**

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

	31 December 2015	***31 December 2014***
Loans collateralized by real estate or rights thereon	14,001,862	7,565,858
Loans collateralized by equipment and rights thereon	5,696,121	6,193,793
Loans collateralized by lien over receivables	3,924,079	2,883,218
Loans collateralized by inventories	1,930,885	3,396,855
Loans collateralized by guarantees of enterprises	1,620,501	945,001
Loans collateralized by means of transport	1,235,364	707,055
Loans collateralized by guarantees of individuals	1,128,574	758,767
Loans collateralized by guarantees of the Government and local authorities	503,679	2,566,589
Loans collateralized by cash or guarantee deposits	104,010	114,770
Loans collateralized by other types of collateral	1,552,238	1,737,641
	31,697,313	**26,869,547**
Less allowance for loan impairment	(3,886,177)	(1,323,364)
Total loans to customers	**27,811,136**	**25,546,183**

As at 31 December 2015 the aggregated loan amount of 20 largest borrowers was BYR 12,203,623 million or 38.5% of the total gross loan portfolio of the Group (31 December 2014: BYR 8,867,864 million or 33.0%).

Interest income accrued on loans, for which individual impairment has been recognised, year ended 31 December 2015, comprised BYR 73,195 million (year ended 31 December 2014: BYR 50,085 million).

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

During the year ended 31 December 2015 and year ended 31 December 2014 the Group has entered into Funded Participation Deals. As at 31 December 2015 The Group issued loans to its corporate customers funded by the banks of Sberbank of Russia Group in amount of BYR 15,237,631 million (31 December 2014: 8,491,465). As a result of the transfer of credit risks and rewards on related financial assets in the share 90%, 99% and 100% took place and respective part of loans to customers was derecognised. The rest of credit risks and rewards comprised BYR 153,211 and BYR 122,463 as at 31 December 2015 and 31 December 2014 respectively.

(in millions of Belarusian rubles)

9. Non-current assets held for sale

Non-current assets held for sale comprise:

	Office premises previously used by the Group	Assets repossessed from the borrowers		Total non-current assets held for sale
		Machinery equipment	Real estate	
As at 31 December 2013	**15,886**	**6,251**	–	**22,137**
Disposals	(7,878)	–	–	**(7,878)**
As at 31 December 2014	**8,008**	**6,251**	–	**14,259**
Additions	393	–	192,071	**192,464**
Disposals	–	–	(3,941)	**(3,941)**
Impairment recognised in the income statement	–	(6,251)	–	**(6,251)**
As at 31 December 2015	**8,401**	–	**188,130**	**196,531**

The Management has elaborated a plan to dispose premises and equipment. The sale transactions for these assets are expected to be completed in 2016.

10. Investments available for sale

Investments available for sale comprise:

	Interest to nominal, %	*31 December 2015*	*Interest to nominal, %*	*31 December 2014*
Long-term government bonds in foreign currency	6.85%-7.25%	6,477,798	6.85%-7.25%	1,071,968
Long-term government bonds in national currency	25.0%	611,457	–	–
Bonds of Belarusian banks	6.00%	61,621	6.00%	43,651
Shares	–	32,139	–	24,843
Bonds issued by municipalities	25.0%	11,741	20.0%	9,872
Total investments available for sale		**7,194,756**		**1,150,334**

11. Investments held to maturity

Investments held to maturity comprise:

	Currency	*Maturity date*	*Interest to nominal*	*31 December 2015*
Bonds issued by municipalities	BYR	July 2020	25.00%	10,614
Total investments held to maturity				**10,614**

	Currency	*Maturity date*	*Interest to nominal*	*31 December 2014*
Republic of Belarus Eurobonds	USD	August 2015	8.75%	208,990
Bonds issued by municipalities	BYR	July 2020	20.00%	10,614
Total investments held to maturity				**219,604**

(in millions of Belarusian rubles)

12. Investments in associates

The following associates are accounted for under the equity method:

Name of the associate	Ownership 31 December 2015	Ownership 31 December 2014	Country	Date of acquisition	Type of operation
Limited Liability Company "Sberbank-Technologies"	25.0%	25.0%	Belarus	9 October 2012	Software development and consulting
Closed Joint Stock Company "BPS-Leasing"	49.0%	49.0%	Belarus	14 February 2011	Finance lease activities
Closed Joint Stock Insurance Company "TASK"	25.6%	25.6%	Belarus	11 June 1993	Insurance services

Movements in investments in associates were:

	Year ended 31 December 2015	Year ended 31 December 2014
As at 1 January	**72,777**	**67,226**
Share of results of an associate for the period	26,284	26,279
Dividends	(12,111)	(11,311)
Hyperinflation effect	–	(9,417)
As at 31 December	**86,950**	**72,777**

The following table illustrates summarised financial information of the associates:

	Limited Liability Company "Sberbank-Technologies"		Closed Joint Stock Company "BPS-Leasing"		Closed Joint Stock Insurance Company "TASK"	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014	31 December 2015	31 December 2014
Assets	67,962	52,226	810,218	623,130	703,170	581,983
Liabilities	183	374	855,914	657,954	430,059	348,334
Net assets	**67,779**	**51,852**	**(45,696)**	**(34,824)**	**273,111**	**233,649**
The share of the Group in net assets	25.0%	25.0%	49.0%	49.0%	25.6%	25.6%
Book value of investment in associate	**17,034**	**12,963**	**–**	**–**	**69,916**	**59,814**
Income	209,547	158,607	103,172	71,988	651,131	535,850
Profit	24,980	8,613	489	(6,833)	69,917	59,817

As at 31 December 2015 unrecognized share of losses of Closed Joint Stock Company "BPS-Leasing" was BYR 22,569 million (31 December 2014: BYR 17,241 million).

(in millions of Belarusian rubles)

13. Premises and equipment and intangible assets

Premises and equipment comprise:

	Notes	*Office premises*	*Other premises*	*Computer equipment*	*Vehicles*	*Furniture and other assets*	*Construc-tion in progress*	*Total*
Cost								
At 31 December 2013		**849,123**	**16,024**	**437,690**	**161,404**	**601,237**	**178,892**	**2,244,370**
Additions		32,518	8,275	57,240	11,839	73,498	87,584	**270,954**
Transfers		56,695	1,109	12,984	12,750	56,168	(139,706)	**–**
Disposals		(168,772)	(233)	(30,375)	(8,669)	(17,400)	(8,439)	**(233,888)**
At 31 December 2014		**769,564**	**25,175**	**477,539**	**177,324**	**713,503**	**118,331**	**2,281,436**
Additions		16,423	8,599	89,092	3,470	36,379	43,476	**197,439**
Transfers		19,619	15,246	24,989	2,842	49,167	(111,863)	**–**
Disposals		(365)	(259)	(16,433)	(67,983)	(57,784)	(1,930)	**(144,754)**
Disposal of subsidiary		–	–	–	–	(42,698)	–	**(42,698)**
At 31 December 2015		**805,241**	**48,761**	**575,187**	**115,653**	**698,567**	**48,014**	**2,291,423**
Accumulated depreciation								
At 31 December 2013		**–**	**1,373**	**249,662**	**71,563**	**359,682**	**–**	**682,280**
Depreciation charge		30,375	2,224	56,429	21,490	38,375	–	**148,893**
Disposals		(1,659)	(74)	(30,371)	(8,544)	(15,722)	–	**(56,370)**
At 31 December 2014		**28,716**	**3,523**	**275,720**	**84,509**	**382,335**	**–**	**774,803**
Depreciation charge		28,507	5,022	45,639	12,070	44,275	–	**135,513**
Disposals		(242)	(185)	(16,419)	(41,157)	(40,194)	–	**(98,197)**
Disposal of subsidiary		–	–	–	–	(17,087)	–	**(17,087)**
At 31 December 2015		**56,981**	**8,360**	**304,940**	**55,422**	**369,329**	**–**	**795,032**
Carrying amount								
At 31 December 2015		**748,260**	**40,401**	**270,247**	**60,231**	**329,238**	**48,014**	**1,496,391**
At 31 December 2014		**740,848**	**21,652**	**201,819**	**92,815**	**331,168**	**118,331**	**1,506,633**

By the Managements opinion as at 31 December 2015 there were no significant differences between the fair value and the carrying value of office premises.

If the buildings were measured using the cost model, the carrying amounts premises and equipment would be as follows:

	31 December 2015	*31 December 2014*
Cost	1,999,191	1,989,204
Accumulated depreciation and impairment	(899,628)	(919,857)
Net carrying amount	**1,099,563**	**1,069,347**

At 31 December 2015 included in computer equipment are fully depreciated items in the amount of BYR 159,214 million (2014: BYR 166,066 million), in vehicles in the amount of BYR 43,317 million (2014: BYR 29,059 million) and in furniture and other assets in the amount of BYR 109,191 million (2014: BYR 121,729 million).

(in millions of Belarusian rubles)

13. Premises and equipment and intangible assets (continued)

Movements in intangible assets presented in the table below:

	Notes	*Intangible assets*
Cost		
At 31 December 2013		**198,387**
Additions		127,621
Disposals		(18)
At 31 December 2014		**325,990**
Additions		181,974
Disposals		(96)
At 31 December 2015		**507,868**
Accumulated depreciation		
At 31 December 2013		**51,373**
Depreciation charge		37,426
Disposals		(18)
At 31 December 2014		**88,781**
Depreciation charge		51,006
Disposals		(87)
At 31 December 2015		**139,700**
Carrying amount		
At 31 December 2015		**368,168**
At 31 December 2014		**237,209**

14. Other assets

Other assets comprise:

	31 December 2015	*31 December 2014*
Other financial assets		
Receivables on Group's cards settlements	166,260	178,504
Accrued income	63,162	28,262
Receivables from purchasers of Group's fixed assets	611	143,339
Other accounts receivables due to business transactions to be settled in cash	506	68,306
Accounts receivables due to business transactions to be settled in cash	**230,539**	**418,411**
Other non-financial assets		
Taxes recoverable and prepaid, other than income taxes	75,564	64,341
Precious metals	63,309	44,805
Premises in stock	60,132	–
Prepaid expenses	40,896	38,150
Prepayments for premises, equipment and intangible assets	14,639	33,587
Inventory	277	6,473
Other advances and prepayments	26,624	21,407
	281,441	**208,763**
Total other assets	**511,980**	**627,174**

(in millions of Belarusian rubles)

15. Loans from the national bank of the Republic of Belarus

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

	31 December 2015	*31 December 2014*
Lombard credit	–	800,000
Other borrowed funds from National Bank	649,194	–
Total loans from the National Bank	**649,194**	**800,000**

16. Due to banks

Due to banks comprise:

	31 December 2015	*31 December 2014*
Loans from banks and financial institutions	5,512,668	4,461,044
Trade finance deals	3,839,531	3,113,792
Deposit in precious metals	–	2,262,308
Correspondent accounts of banks	303,310	212,349
Total due to banks	**9,655,509**	**10,049,493**

As at 31 December 2015 a balance of due to banks amounting to BYR 7,837,211 million was to three counterparties, including BYR 6,323,442 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

As at 31 December 2014 a balance of due to banks amounting to BYR 7,929,775 million was due to three counterparties, including BYR 6,473,146 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

17. Due to individuals and due to corporate customers

Due to individuals and corporate customers comprise:

	31 December 2015	*31 December 2014*
Individuals:		
- Current/demand accounts	2,855,147	2,221,815
- Term deposits	15,368,307	10,088,717
Total due to individuals	**18,223,454**	**12,310,532**
State and public organisations:		
- Current/settlement accounts	145,334	124,047
- Term deposits	245,014	322,513
Total due to state and public organisations	**390,348**	**446,560**
Other corporate customers:		
- Current/settlement accounts	2,844,426	3,146,311
- Term deposits	6,996,912	6,312,057
Total due to other corporate customers	**9,841,338**	**9,458,368**
Total due to corporate customers	**10,231,686**	**9,904,928**
Total due to individuals and corporate customers	**28,455,140**	**22,215,460**

As at 31 December 2015 included in due to corporate customers are deposits of BYR 469,496 million (31 December 2014: BYR 851,751 million) held as collateral for irrevocable commitments under import letters of credit.

(in millions of Belarusian rubles)

17. Due to individuals and due to corporate customers (continued)

In November 2015 bank deposits classification has changed. According to this change the newly concluded term and conditional bank deposits are classified as irrevocable and revocable. The irrevocable contracts don't have an early repayment by the depositor's initiative option. Repayment of the deposit prior to the expiration of the contract is only possible with the consent of the Bank. The revocable contracts oblige Bank to repay the amount of individual's deposit within 5 days at the request of the depositor in accordance with the Banking Code of the Republic of Belarus. In case a time deposit is repaid upon request of the depositor before the expiry date of deposit contract, interest is paid at a rate corresponding to the rate of interest paid by the Bank current deposits unless a different interest rate is stipulated by the contract.

As at 31 December 2015 the aggregated balances of 20 largest customers was BYR 3,977,099 million or 14.0% of total due to individuals and corporate customers (31 December 2014: BYR 3,605,650 million or 16.2%).

Industry sector concentrations within customer accounts are as follows:

	31 December 2015		*31 December 2014*	
	Amount	***%***	***Amount***	***%***
Individuals	18,223,454	64.0	12,310,532	55.4
Trade	2,628,601	9.2	1,605,228	7.2
Construction	1,276,473	4.5	1,122,441	5.1
Machinery and equipment	1,154,379	4.1	1,417,867	6.4
Insurance and other financial services	938,740	3.3	905,221	4.1
Transport and communications	863,212	3.0	914,258	4.1
Woodworking and timber industry	463,871	1.6	318,889	1.4
Oil refinery and chemical industry	380,568	1.3	1,189,119	5.4
Agriculture	306,337	1.1	72,753	0.3
Education	251,643	0.9	321,476	1.4
Food	255,371	0.9	259,868	1.2
Energy	226,392	0.8	320,029	1.4
Light industry	201,601	0.7	90,325	0.4
State and government bodies	171,713	0.6	193,376	0.9
Building materials industry	144,085	0.5	206,331	0.9
Mining	91,989	0.3	263,528	1.2
Metallurgy	38,487	0.1	39,139	0.2
Other	838,224	3.1	665,080	3.0
Total due to individuals and corporate customers	**28,455,140**	**100.0**	**22,215,460**	**100.0**

18. Debt securities issued

Debt securities issued comprise:

	31 December 2015	*31 December 2014*
Bonds issued to legal entities	1,769,059	716,128
Bonds issued to individuals	118,341	114,275
Certificates of deposit	1,262	2,340
Saving certificates	1	2
Total debt securities issued	**1,888,663**	**832,745**

Bonds issued to legal entities are interest-bearing securities issued by the Group. They are denominated in BYR, USD, RUB and EUR and have maturity dates from "on demand" to December 2024 (31 December 2014: from "on demand" to May 2019). Interest rates on such bonds vary from 5-7.5% (for bonds in USD, EUR and RUB) to 25-27% (for bonds in BYR) p.a. (31 December 2014: from 4.5% to 22% p.a.).

Bonds issued to individuals are interest-bearing securities issued by the Group. They are denominated in BYR, USD and EUR and have maturity dates from "on demand" to April 2016 (31 December 2014: from "on demand" to April 2016). Interest rates on such bonds vary from 7.0% (for bonds in USD and EUR) to 28.5% (for bonds in BYR) p.a. (31 December 2014: from 7.0% to 28.5% p.a.).

In 2015 the Group has not issued new bonds to individuals. All bonds sold during the year have been issued previously.

(in millions of Belarusian rubles)

19. Other liabilities

Other liabilities comprise:

	31 December 2015	*31 December 2014*
Other financial liabilities		
Payables for finance lease	607,213	424,245
Unused leave and bonus accrual	87,652	110,988
Payments due to other contractors	55,441	46,621
Accrued contributions to deposits protection fund	27,068	37,415
Settlement accounts on other banking services	23,095	18,170
Accrued fee payable under documentary transactions and transactions with plastic cards	19,517	22,164
Payables for premises and equipment	1,383	144
Payables of dividends	49	50
	821,418	**659,797**
Other non-financial liabilities		
Taxes payable, other than income taxes	53,089	133,495
Other	9,793	6,409
	62,882	**139,904**
Total other liabilities	**884,300**	**799,701**

As at 31 December 2015 and 31 December 2014 payables for finance lease arised from sell and lease back operations, conducted by the Group, with its own office premises.

Liabilities under finance lease agreements as at 31 December 2015 are analyzed as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Minimum lease payments	108,302	421,893	514,579	**1,044,774**
Future finance costs	(73,626)	(240,955)	(122,980)	**(437,561)**
Net liabilities under finance lease agreements	**34,676**	**180,938**	**391,599**	**607,213**

Liabilities under finance lease agreements as at 31 December 2014 are analyzed as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Minimum lease payments	74,494	286,176	420,669	**781,339**
Future finance costs	(53,753)	(179,895)	(123,446)	**(357,094)**
Net liabilities under finance lease agreements	**20,741**	**106,281**	**297,223**	**424,245**

(in millions of Belarusian rubles)

19. Other liabilities (continued)

As at 31 December 2015 and 31 December 2014 current amount of future minimum lease payments and present value comprised:

31 December 2015	*Not later than 1 year*	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Minimum lease payments	108,302	421,893	514,579	**1,044,774**
Present value of minimum lease payments	97,033	292,027	218,153	**607,213**

31 December 2014	*Not later than 1 year*	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Minimum lease payments	74,494	286,176	420,669	**781,339**
Present value of minimum lease payments	66,089	191,981	166,175	**424,245**

20. Share capital

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

	Number of shares		*Nominal amount, BYR*		*Hyperinflation*	
	Preferred	*Ordinary*	*Preferred*	*Ordinary*	*adjustment*	*Total*
31 December 2013	871,112	1,470,828,888	500	500	2,481,713	**3,217,563**
31 December 2014	871,112	1,470,828,888	500	500	2,481,713	**3,217,563**
31 December 2015	871,112	1,470,828,888	500	500	2,481,713	**3,217,563**

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

During the year ended 31 December 2014 the Bank declared BYR 436 million dividends on preference shares for the year 2014. The dividends were BYR 500 per preference share.

During the year ended 31 December 2014 the Bank declared BYR 106,046 million and BYR 20 million dividends on ordinary and preference shares for the year 2013, respectively. The dividends were BYR 72 per ordinary share and BYR 23 per preference share.

In accordance with Belarussian legislation, dividends may only be declared to the shareholders of the Bank from retained undistributed earnings of previous years and net profit of the current year as shown in the Bank's financial statements prepared in accordance with Belarusian GAAP. The Bank had approximately BYR 224,685 million of net profit for the year, ended 31 December 2015 (BYR 906,409 million for the year, ended 31 December 2014).

(in millions of Belarusian rubles)

21. Net interest income before loan impairment

The net interest income before allowance for loan impairment comprises:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Interest income		
Interest on loans to corporate customers	5,158,588	4,004,896
Interest on loans to individuals	587,137	462,315
Interest on investments available for sale	249,917	165,930
Interest on due from banks	80,584	58,402
Interest on investments held to maturity	15,894	25,603
Total interest income	**6,092,120**	**4,717,146**
Interest expense		
Interest on due to individuals	1,227,962	1,022,438
Interest on due to corporate customers	1,037,488	807,861
Interest on deposits from banks	603,486	503,919
Interest on debt securities issued to corporate customers	144,525	102,150
Interest on deposits from National Bank	105,033	19,563
Interest on subordinated loan	53,524	44,654
Interest on debt securities issued to individuals	6,648	10,066
Total interest expense	**3,178,666**	**2,510,651**
Contributions to deposits protection fund	143,422	143,501
Net interest income before allowance for loan impairment	**2,770,032**	**2,062,994**

22. Allowance for loan impairment, other provisions

The movements in allowance for loan impairment were as follows:

			Loans to individuals				
	Commercial loans	*Specialized loans*	*Consumer and other loans*	*Credit cards and overdrafts*	*Mortgage loans*	*Car loans*	*Total*
31 December 2013	**389,707**	**684,351**	**14,463**	**13**	**13,484**	**533**	**1,102,551**
Allowance charge for the period	262,014	139,594	15,522	6,889	2,887	1,384	**428,290**
Amounts written off	(51,760)	(1,271)	–	–	–	–	**(53,031)**
Hyperinflation effect	(54,590)	(95,864)	(2,026)	(2)	(1,889)	(75)	**(154,446)**
31 December 2014	**545,371**	**726,810**	**27,959**	**6,900**	**14,482**	**1,842**	**1,323,364**
Allowance charge for the period	1,096,587	1,628,860	19,773	8,130	9,607	2,174	**2,765,131**
Amounts written off	(178,858)	(23,460)	–	–	–	–	**(202,318)**
31 December 2015	**1,463,100**	**2,332,210**	**47,732**	**15,030**	**24,089**	**4,016**	**3,886,177**

The movements in provisions for guarantees and other commitments were as follows:

	Guarantees and other commitments
31 December 2013	**14,913**
Allowance charge for the period	(1,622)
Hyperinflation effect	(2,089)
31 December 2014	**11,202**
Reversal of provision	(577)
31 December 2015	**10,625**

(in millions of Belarusian rubles)

23. Fee and commission income and expense

Fee and commission income and expense comprise:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Fee and commission income		
Plastic cards operations	488,515	422,440
Salary transfer on card accounts and related cash withdrawals	304,519	331,599
Settlement and cash operations with clients	287,688	247,985
Agent's fees	216,728	179,514
Documentary operations	166,894	152,468
Cash delivery and collection	105,069	82,166
Foreign exchange operations	63,962	111,723
Securities operations	22,458	4,795
Settlements with banks	496	327
Other	17,927	10,239
Total fee and commission income	**1,674,256**	**1,543,256**
Fee and commission expense		
Plastic cards operations	235,690	219,100
Documentary operations	131,597	137,525
Foreign exchange and cash operations	5,456	13,621
Cash delivery and collection	5,234	7,000
Correspondent bank services	4,803	6,892
Other	11,052	15,066
Total fee and commission expense	**393,832**	**399,204**

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

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

	Year ended 31 December 2015	*Year ended 31 December 2014*
Net gains arising from trading in foreign currencies	833,416	249,126
Net foreign exchange translation losses	(1,728,517)	(828,826)
Net gains from operations with foreign currency derivatives	1,831,995	509,682
Total net (loss)/gain on foreign exchange operations	**936,894**	**(70,018)**

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

	Year ended 31 December 2015	*Year ended 31 December 2014*
Net losses from operations with precious metals	(36,750)	(7,344)
Net result arising from revaluation of precious metals	(1,144,397)	(486,122)
Net gains from operations with precious metals derivatives	900,983	446,809
Total net loss from operations with precious metals	**(280,164)**	**(46,657)**

(in millions of Belarusian rubles)

25. Net loss from disposal of subsidiary

On 25 September 2015, aiming at liquidating nonspecialized subsidiaries, BPS-Sberbank has sold 98.00% of its share in Limited Liability Company "Narochanskaya Niva 2004" agricultural subsidiary for the total amount of BYR 35 million.

	25 September 2015	*31 December 2014*
Net assets	**33,196**	**19,779**
Proceeds from disposal of subsidiary	35	–
Net loss from disposal of subsidiary	**(33,161)**	**–**

26. Other income

Other income comprises:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Repayment of loans previously written off	223,312	49,447
Income from sale of premises, equipment and intangible assets	54,073	24,647
Income from non-banking activities	33,161	22,057
Penalties received	16,981	6,315
Income from sale of coins	6,015	4,532
Income from operating leases	1,615	5,932
Dividends received	177	154
Other	16,957	17,138
Total other income	**352,291**	**130,222**

27. Operating expenses

Operating expenses comprise:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Staff costs	761,662	858,357
Social security contribution	205,087	233,156
Other staff expenses	11,450	12,460
Personnel expenses	**978,199**	**1,103,973**
Taxes, other than income taxes	66,886	94,151
Operating and finance leases	208,125	93,571
Expenses on maintenance of banking software	201,222	94,667
Depreciation and amortization	186,519	186,319
Premises and equipment maintenance	186,775	262,994
Stationery	53,291	30,266
Advertising costs	35,367	41,687
Public utilities payments	35,248	26,297
Security expenses	35,183	37,913
Vehicles maintenance and fuel expenses	16,254	13,028
Legal and consulting services	12,885	11,542
Communications	11,585	9,905
Charity and sponsorship expenses	6,641	7,550
Other expenses	125,798	52,197
Other operating expenses	**1,181,779**	**962,087**
Total operating expenses	**2,159,978**	**2,066,060**

(in millions of Belarusian rubles)

28. Income tax

Income tax expense comprises the following:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Current income tax	22,569	205,106
Deferred tax	(90,885)	16,290
Deferred tax recognised in other comprehensive income	–	(2,810)
Income tax expense	**(68,316)**	**218,586**

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

During the years ended 31 December 2015 and 31 December 2014 the tax rate for the Bank and its subsidiaries (excluding Limited Liability Company "Narochanskaya Niva 2004" which is not subjected to income taxes) was 25% and 18%, respectively.

Starting from 1 January 2015 income tax rate in the Republic of Belarus is set at the level 25%. The rate was used in the deferred tax liability calculation for the 2015 and 2014 reporting periods.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences at 31 December 2015 and 2014 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

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

	Year ended 31 December 2015	*Year ended 31 December 2014*
Profit before income taxes	**122,108**	**287,012**
Combined statutory tax rate	25.00%	18.00%
Tax at the statutory tax rate	**30,527**	**51,662**
Capital expenditure tax exemptions	(141,050)	(45,265)
Tax exempt income	(5,148)	(4,366)
Non-deductible expenditures	64,543	58,199
Effect of change of the income tax rate	–	19,592
Hyperinflation effect of equity items recognised in taxable profits	–	140,941
Unrecognised deferred tax asset emerged from consolidation of subsidiaries and associates not affecting profit or loss	–	(508)
Tax effect of statutory revaluation	(11,989)	(1,669)
Other permanent differences	(5,199)	–
Income tax (savings)/expense	**(68,316)**	**218,586**

Differences between IFRS and statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 25% (2014: 25%).

(in millions of Belarusian rubles)

28. Income tax (continued)

	31 December 2014	*Credited/ (charged) to profit or loss*	*Recognised in other comprehensive income*	*31 December 2015*
Tax effect of deductible temporary differences				
Loans to customers	25,996	148,067	–	174,063
Premises and equipment and intangible assets	1,336	(145)	–	1,191
Other assets	16,850	238	–	17,088
Unused vacations	22,771	(830)	–	21,941
Other temporary differences	34,146	49,620	–	83,766
Gross deferred tax asset	**101,099**	**196,950**	**–**	**298,049**
Unrecognised deferred tax asset	–	–	–	–
Deferred tax asset, net	**101,099**	**196,950**	**–**	**298,049**
Tax effect of taxable temporary differences				
Loans to customers	65,530	152,518	–	218,048
Premises and equipment and intangible assets	78,035	(32,611)	–	45,424
Derivative financial assets	2,463	(11,196)	–	(8,733)
Other assets	6,950	(6,184)	–	766
Other temporary differences	18,091	3,538	–	21,629
Deferred tax liability	**171,069**	**106,065**	**–**	**277,134**
Total net deferred tax asset	**(69,970)**	**90,885**	**–**	**20,915**

	31 December 2013	*Credited/ (charged) to profit or loss*	*Recognised in other compre-hensive income*	*Hyper-inflation effect*	*31 December 2014*
Tax effect of deductible temporary differences					
Loans to customers	17,100	11,292	–	(2,396)	25,996
Premises and equipment and intangible assets	–	1,336	–	–	1,336
Other assets	11,443	7,010	–	(1,603)	16,850
Unused vacations	14,399	10,389	–	(2,017)	22,771
Other temporary differences	–	34,146	–	–	34,146
Gross deferred tax asset	**42,942**	**64,173**	**–**	**(6,016)**	**101,099**
Unrecognised deferred tax asset	–	–	–	–	–
Deferred tax asset, net	**42,942**	**64,173**	**–**	**(6,016)**	**101,099**
Tax effect of taxable temporary differences					
Loans to customers	42,620	28,880	–	(5,970)	65,530
Premises and equipment and intangible assets	31,955	47,746	2,810	(4,476)	78,035
Derivative financial assets	13,016	(8,729)	–	(1,824)	2,463
Other assets	3,448	3,985	–	(483)	6,950
Other temporary differences	14,327	5,771	–	(2,007)	18,091
Deferred tax liability	**105,366**	**77,653**	**2,810**	**(14,760)**	**171,069**
Total net deferred tax liability	**(62,424)**	**(13,480)**	**(2,810)**	**8,744**	**(69,970)**

(in millions of Belarusian rubles)

29. Commitments and contingencies

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

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

Provisions for guarantees and other commitments amounted to BYR 10,625 million and BYR 11,202 million as at 31 December 2015 and 31 December 2014, respectively (Note 22).

As at 31 December 2015 and 31 December 2014 the nominal or contract amounts of contingent liabilities were:

	31 December 2015	*31 December 2014*
Contingent liabilities and credit commitments		
Commitments on loans and unused credit lines	1,548,801	3,442,047
Uncovered letters of credit	1,272,884	1,719,176
Guarantees issued and similar commitments	627,448	784,301
Letters of credit secured by cash	469,496	832,643
Total contingent liabilities and credit commitments	**3,918,629**	**6,778,167**

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancelable operating leases as at 31 December 2015 and 31 December 2014 are as follows:

	31 December 2015	*31 December 2014*
Not later than 1 year	122,216	151,845
Later than 1 year and not later than 5 years	351,554	256,367
Later than 5 years	278,551	248,856
Total operating lease commitments	**752,321**	**657,068**

Legal proceedings

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

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Belarus. As at 31 December 2015 and 31 December 2014 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Legislation

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

(in millions of Belarusian rubles)

29. Commitments and contingencies (continued)

Operating environment

During the year 2015 the National Bank of the Republic of Belarus (“NBRB” or National bank) continued to follow a policy of stabilizing the financial market. On January 9th, 2015 the exchange fee for foreign currency purchase imposed on legal entities and individuals was dismissed and at the same time the Belarussian ruble was devaluated against major foreign currencies (by 16.1%, 12.9% and 3% against USD, Euro and Russian Ruble respectively compared with the rate effective as of December 31, 2014). On January 9th, 2015 NBRB also raised the refinancing rate from 20% to 25%. To enhance the effectiveness of the refinance rate as an instrument of the monetary policy the National bank has gradually decreased the interest rates for liquidity instruments from 50% to 30% starting in January 2015.

In February 2015 the Managing Board of the NBRB decided to lower the rate of mandatory sale of foreign currency revenue to 40% and further to 30% in April 2015.

Starting in June 2015 the National bank has changed the mechanism of foreign currency trading at Belarussian Stock Exchange (BCSE), according to which the foreign currencies trading is now performed under continuous double auction. The purchase of foreign currency is executed only by the banks and non-bank credit institutions, which then sell the purchased currency directly to the clients. The National Bank has also changed the policy on foreign currency exchange rates, according to which the process of exchange rate formation has become more flexible and sensitive to the market conditions.

In August 2015 the Belarusian Ruble was further devaluated (by 15 %, 18.7% and 4% against the US dollar, Euro and Russian Ruble, respectively), which was mainly caused by the external macroeconomic factors deterioration, such as decrease of the oil prices, devaluation of the Russian Ruble (the main country-partner currency), significant speculative demand of the population for the foreign currency caused by the devaluation expectations, etc.

Until the end of year 2015 the negative internal and external factors continued to affect the economic conditions in the country. As of the year end the overall devaluation of the national currency has reached 56.7%, 41.2% and 19% against USD, Euro and Russian Ruble respectively. The overall decline of GDP for the year 2015 has reached 3.9%, compared to positive growth of 1.7% in 2014. A significant decline has occurred in such industries of the economy as construction, manufacturing and mechanical engineering. To finance the government's foreign debt payments in 2015, the Government attracted new borrowings from Russia.

In 2015 Russian Federation has continued to provide financial support by granting government loans. In April 2015 the Government of the Russian Federation provided a loan to Belarus in Russian Rubles in the amount equivalent to 110 million USD with 10 year maturity. The funds were used to repay interest on another loan facility provided by Russia in 2010. In July 2015 the Republic of Belarus received a long term loan from the Government of the Russian Federation in the amount equivalent to 760 million USD with 10 year maturity including the 4-year grace period. The money was given in Russian Rubles at the Central Bank official rate as of the date of signing of the agreement; however the recognition of liabilities will be carried out in dollars. Interest on loan will be calculated based on 6M LIBOR for dollar deposits increased by the margin calculated as the difference between the yields on Russian Eurobonds maturing in 7 years and the rate of 7-year swaps in dollars. These funds will be used to finance and repay the loans received earlier by the Government of the Republic of Belarus from Russia and Eurasian Foundation of Stabilization and Development.

On March 31st 2015 the Government of Belarus fully paid off the IMF loan in the amount of 3.5 billion USD and as initiated negotiations on a new technical assistance program in the amount of 3 billion USD.

The inflation processes were regulated by the NBRB and reached 12% as of the year end (16.2% in 2014). Decrease of the inflation in the recent three years has led to cancellation of IFRS 29 application starting in January 1st 2015.

In April 2015 the Moody’s Investors Service decreased the sovereign rating of the Republic of Belarus from B3 to Caa1 (“negative”), basing on the increased external debt pressure and uncertainties regarding the external support of Belarus.

Although in the opinion of the Group management the adequate measures has been taken by them to sustain the dynamic development of business in the current economic conditions, unforeseen further deterioration in the areas described above could negatively affect the operational results and financial position of the Group and its counterparties. Determining the degree of such an impact on the consolidated financial statements is currently not possible.

(in millions of Belarusian rubles)

30. Transactions with related parties

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Group had the following transactions outstanding as at 31 December 2015 and 31 December 2014 with related parties:

	2015				***2014***			
	Parent	***Entities under common control***	***Associates***	***Key management personnel***	***Parent***	***Entities under common control***	***Associates***	***Key management personnel***
Loans outstanding at 1 January, gross	**88,174**	**113**	**16,894**	**14,818**	**167,890**	**5**	**52,304**	**28,393**
Hyperinflation effect	–	–	–	–	(23,518)	(1)	(7,327)	(3,977)
Loans issued during the year	1,886,684	15,651	7,194	5,218	1,353,330	6,362	9,364	6,435
Loan repayments during the year	(1,879,284)	(15,117)	(22,610)	(4,777)	(1,346,330)	(6,253)	(37,447)	(5,346)
Other movements	179,338	547	(1,478)	(5,837)	(63,198)	–	–	(10,687)
Loans outstanding at 31 December, gross	**274,912**	**1,194**	**–**	**9,422**	**88,174**	**113**	**16,894**	**14,818**
Allowance for impairment at 31 December	–	–	–	(964)	–	–	(409)	(660)
Loans outstanding at 31 December, net	**274,912**	**1,194**	**–**	**8,458**	**88,174**	**113**	**16,485**	**14,158**
Deposits at 1 January	**6,473,146**	**200,741**	**23,253**	**75,625**	**8,765,298**	**71,673**	**414,057**	**29,645**
Hyperinflation effect	–	–	–	–	(1,227,850)	(10,040)	(58,002)	(4,153)
Deposits received during the year	94,169,989	269,403	1,752,127	117,538	59,670,326	237,281	1,303,603	289,713
Deposits repaid during the year	(94,319,683)	(246,567)	(1,744,538)	(128,364)	(60,731,562)	(98,914)	(1,304,923)	(251,820)
Other movements	(10)	142,062	32,562	43,731	(3,066)	741	(331,482)	12,240
Deposits at 31 December	**6,323,442**	**365,639**	**63,404**	**108,530**	**6,473,146**	**200,741**	**23,253**	**75,625**
Subordinated debt at 1 January	**719,116**	**–**	**–**	**–**	**760,782**	**–**	**–**	**–**
Hyperinflation effect	–	–	–	–	(106,571)	–	–	–
Loans issued during the year	986,247	–	–	–	341,240	–	–	–
Loan repayments during the year	(690,363)	–	–	–	(276,335)	–	–	–
Subordinated debt at 31 December	**1,015,000**	**–**	**–**	**–**	**719,116**	**–**	**–**	**–**
Commitments	**–**	**121,800**	**–**	**73**	**–**	**86,280**	**–**	**292**

On 29 December 2011 the Group received a subordinated loan from its parent Sberbank of Russia in the amount of EUR 40 million at interest rate of 6.45%, repayable on 29 December 2020. On 29 October 2013 the Group received a subordinated loan from its parent Sberbank of Russia in the amount of EUR 10 million at interest rate of 6.45%, repayable on 29 October 2020.

In accordance with IFRS (IAS) 24 *Related Party Disclosures* Government of the Russian Federation is a related party of JSC BPS-Sberbank, as it is able to control the financial and operational decisions of JSC BPS-Sberbank via JSC Sberbank of Russia. During the year 2015 there were no significant transactions (and transactions significant in aggregate) between JSC BPS-Sberbank and the Government of the Russian Federation, as well as with the Russian State companies.

(in millions of Belarusian rubles)

30. Transactions with related parties (continued)

Included in the consolidated income statement for the year ended 31 December 2015 and year ended 31 December 2014 is the following amounts which arose due to transactions with related parties:

	31 December 2015		*31 December 2014*	
	Related party transactions	***Total category as per the financial statements caption***	***Related party transactions***	***Total category as per the financial statements caption***
Interest income	**12,583**	**6,092,120**	**11,210**	**4,717,146**
- parent bank	11,665	−	4,429	−
- associates	582	−	5,973	−
- key management personnel	336	−	808	−
Fee and commission income	244,345	**1,674,256**	**186,855**	**1,543,256**
- parent bank	243,024	−	186,580	−
- associates	1,320	−	274	−
- key management personnel	1	−	1	−
Interest expense	**(505,716)**	**(3,178,666)**	**(399,790)**	**(2,510,651)**
- parent bank	(497,022)	−	(391,727)	−
- associates	(1,807)	−	(1,990)	−
- key management personnel	(6,887)	−	(6,073)	−
Allowance for loan impairment	**105**	**(2,765,131)**	**(2,127)**	**(428,290)**
- associates	409	−	(2,364)	−
- key management personnel	(304)	−	237	−
Fee and commission expense	**(114,116)**	**(393,832)**	**(106,627)**	**(399,204)**
- parent bank	(114,116)	−	(106,627)	−
Staff costs	**(46,970)**	**(761,662)**	**(58,132)**	**(858,357)**
- key management personnel	(46,970)	−	(58,132)	−

During the year ended 31 December 2015 and year ended 31 December 2014 remuneration of key management personnel comprised of short-term employee benefits.

31. Segment reporting

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

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

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

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

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

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

(in millions of Belarusian rubles)

31. Segment reporting (continued)

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

By the Management's judgment operating income and income tax expense are unable to be allocated between two main business segments for the segment reporting disclosure.

Internal charges have been reflected in the performance of each business.
Segment information about these businesses is presented below:

	Retail banking	*Corporate banking*	*Unallocated*	*31 December 2015 / Year ended 31 December 2015 Total*
Interest income	587,137	5,158,588	346,395	**6,092,120**
Interest expense	(1,234,610)	(1,182,013)	(762,043)	**(3,178,666)**
Allowance for impairment losses on interest bearing assets	(39,684)	(2,725,447)	–	**(2,765,131)**
Contributions to deposits protection fund	(143,422)	–	–	**(143,422)**
Fee and commission income	840,152	820,147	13,957	**1,674,256**
Fee and commission expense	(235,690)	(152,686)	(5,456)	**(393,832)**
Net losses arising from investment securities available for sale	–	–	291	**291**
Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	2,902	306,386	627,606	**936,894**
Net gains/(losses) arising from operations with precious metals and precious metals derivatives	–	–	(280,164)	**(280,164)**
Other provisions	–	577	–	**577**
Loss on disposal of subsidiary	–	(33,161)	–	**(33,161)**
Impairment of non-current asset held for sale	–	(6,251)	–	**(6,251)**
Other income	–	–	352,291	**352,291**
Operating (expense)/income	**(223,215)**	**2,186,140**	**292,877**	**2,255,802**
Income/(expense) from other segments	782,278	(2,483,867)	1,701,589	**–**
Total operating income	**559,063**	**(297,727)**	**1,994,466**	**2,255,802**
Operating expenses	–	–	(2,159,978)	**(2,159,978)**
Share of results of an associate	–	–	26,284	**26,284**
Profit/(loss) before loss on net monetary position	**559,063**	**(297,727)**	**(139,228)**	**122,108**
Profit/(loss) before income taxes	**559,063**	**(297,727)**	**(139,228)**	**122,108**
Income tax income/(expense)	–	–	68,316	**68,316**
Net profit/(loss)	**559,063**	**(297,727)**	**(70,912)**	**190,424**
Segment assets	**1,756,520**	**29,940,793**	**15,397,116**	**47,094,429**
Segment liabilities	**(18,341,796)**	**(12,002,007)**	**(12,221,886)**	**(42,565,689)**
Other segment items				
- Loans to customers	1,756,520	29,940,793	–	**31,697,313**
- Customer accounts	(18,223,454)	(10,231,686)	–	**(28,455,140)**
- Debt securities issued	(118,342)	(1,770,321)	–	**(1,888,663)**

(in millions of Belarusian rubles)

31. Segment reporting (continued)

	Retail banking	*Corporate banking*	*Unallocated*	*31 December 2014 / Year ended 31 December 2014 Total*
Interest income	462,315	4,004,896	249,935	**4,717,146**
Interest expense	(1,032,504)	(910,011)	(568,136)	**(2,510,651)**
Allowance for impairment losses on interest bearing assets	(26,682)	(401,608)	–	**(428,290)**
Contributions to deposits protection fund	(143,501)	–	–	**(143,501)**
Fee and commission income	790,447	738,282	14,527	**1,543,256**
Fee and commission expense	(219,100)	(166,483)	(13,621)	**(399,204)**
Net losses arising from investment securities available for sale	–	–	(23,349)	**(23,349)**
Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	78,221	184,388	(332,627)	**(70,018)**
Net gains/(losses) arising from operations with precious metals and precious metals derivatives	590	1,315	(48,562)	**(46,657)**
Other provisions	–	1,622	–	**1,622**
Other income	–	–	130,222	**130,222**
Operating (expense)/income	**(90,214)**	**3,452,401**	**(591,611)**	**2,770,576**
Income/(expense) from other segments	641,191	(1,869,523)	1,228,332	**–**
Total operating income	**550,977**	**1,582,878**	**636,721**	**2,770,576**
Operating expenses	–	–	(2,066,060)	**(2,066,060)**
Share of results of an associate	–	–	26,279	**26,279**
Profit/(loss) before loss on net monetary position	**550,977**	**1,582,878**	**(1,403,060)**	**730,795**
Loss on net monetary position due to hyperinflation effect	9,172	(235,437)	(217,518)	**(443,783)**
Profit/(loss) before income taxes	**560,149**	**1,347,441**	**(1,620,578)**	**287,012**
Income tax expense	–	–	(218,586)	**(218,586)**
Net profit/(loss)	**560,149**	**1,347,441**	**(1,839,164)**	**68,426**
Segment assets	**1,864,804**	**25,004,743**	**13,037,566**	**39,907,113**
Segment liabilities	**(12,424,809)**	**(10,623,396)**	**(12,529,319)**	**(35,577,524)**
Other segment items				
- Loans to customers	1,864,804	25,004,743	–	**26,869,547**
- Customer accounts	(12,310,532)	(9,904,928)	–	**(22,215,460)**
- Debt securities issued	(114,277)	(718,468)	–	**(832,745)**

All the Group's customers are residents of the Republic of Belarus. All the premises and equipment are also located on the territory of the Republic of Belarus.

(in millions of Belarusian rubles)

32. Fair value measurement

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

The fair value of financial assets and liabilities not accounted at fair value compared with the corresponding carrying amount in the consolidated statement of financial position of the Group is presented below:

	31 December 2015			*31 December 2014*		
	Carrying value	*Fair value*	*Unrecog-nised gain/(loss)*	*Carrying value*	*Fair value*	*Unrecog-nised gain/(loss)*
Cash and cash equivalents	6,158,872	6,158,872	−	5,666,401	5,666,401	−
Mandatory cash balances with the National Bank of the Republic of Belarus	175,694	175,694	−	214,285	214,285	−
Due from banks	108,689	108,689	−	58,451	58,451	−
Loans to corporate customers	26,145,483	26,158,522	13,039	23,732,562	23,773,540	40,978
Loans to individuals	1,665,653	1,628,859	(36,794)	1,813,621	1,731,955	(81,666)
Investments held to maturity	10,614	11,741	1,127	219,604	208,617	(10,987)
Other financial assets	230,539	230,539	−	418,411	418,411	−
Loans from the National Bank of the Republic of Belarus	649,194	649,194	−	800,000	800,000	−
Due to banks	9,655,509	9,594,439	61,070	10,049,493	10,045,290	4,203
Due to individuals	18,223,454	18,183,798	39,656	12,310,532	12,293,828	16,704
Due to corporate customers	10,231,686	10,243,520	(11,834)	9,904,928	9,902,286	2,642
Debt securities issued	1,888,663	1,944,777	(56,114)	832,745	835,594	(2,849)
Other financial liabilities	821,418	821,418	−	659,797	659,797	−
Subordinated debt	1,015,000	1,015,000	−	719,116	719,116	−

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

Assets for which fair value approximates carrying value

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

Fixed rate financial instruments

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

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

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

(in millions of Belarusian rubles)

32. Fair value measurement (continued)

Fixed rate financial instruments (continued)

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

As at 31 December 2015	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets carried at fair value				
Derivative financial instruments	536	275	2,916,854	**2,917,665**
Investments available for sale	15,835	7,178,921	–	**7,194,756**
Office premises	–	–	802,622	**802,622**
Premises held for sale	–	–	8,401	**8,401**
Total assets carried at fair value	**16,371**	**7,179,196**	**3,727,877**	**10,923,444**
Liabilities carried at fair value				
Derivative financial instruments	6,432	826	–	**7,258**
Total liabilities carried at fair value	**6,432**	**826**	**–**	**7,258**

As at 31 December 2014	*Level 1*	*Level 2*	*Level 3*	*Total*
Assets carried at fair value				
Derivative financial instruments	33,818	72	4,559,913	**4,593,803**
Investments available for sale	8,541	1,125,491	–	**1,134,032**
Office premises	–	–	738,229	**738,229**
Premises held for sale	–	–	8,007	**8,007**
Total assets carried at fair value	**42,359**	**1,125,563**	**5,306,149**	**6,474,071**
Liabilities carried at fair value				
Derivative financial instruments	34,857	3,774	–	**38,631**
Total liabilities carried at fair value	**34,857**	**3,774**	**–**	**38,631**

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

As at 31 December 2015	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets for which fair values are disclosed				
Cash and cash equivalents	6,158,872	–	–	**6,158,872**
Mandatory cash balances with the National Bank of the Republic of Belarus	175,694	–	–	**175,694**
Due from banks	–	108,689	–	**108,689**
Loans to corporate customers	–	–	26,158,522	**26,158,522**
Loans to individuals	–	–	1,628,859	**1,628,859**
Investments held to maturity	–	11,741	–	**11,741**
Other financial assets	–	–	230,539	**230,539**
Total financial assets for which fair values are disclosed	**6,334,566**	**120,430**	**28,017,920**	**34,472,916**
Financial liabilities for which fair values are disclosed				
Loans from the National Bank of the Republic of Belarus	–	649,194	–	**649,194**
Due to banks	–	9,594,439	–	**9,594,439**
Due to individuals	–	–	18,183,798	**18,183,798**
Due to corporate customers	–	–	10,243,520	**10,243,520**
Debt securities issued	–	1,944,777	–	**1,944,777**
Subordinated debt	–	1,015,000	–	**1,015,000**
Other financial liabilities	–	–	821,418	**821,418**
Total financial liabilities for which fair values are disclosed	**–**	**13,203,410**	**29,248,736**	**42,452,146**

(in millions of Belarusian rubles)

32. Fair value measurement (continued)

Fixed rate financial instruments (continued)

As at 31 December 2014	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets for which fair values are disclosed				
Cash and cash equivalents	5,666,401	–	–	**5,666,401**
Mandatory cash balances with the National Bank of the Republic of Belarus	214,285	–	–	**214,285**
Due from banks	–	58,451	–	**58,451**
Loans to corporate customers	–	–	23,773,540	**23,773,540**
Loans to individuals	–	–	1,731,955	**1,731,955**
Investments held to maturity	198,745	9,872	–	**208,617**
Other financial assets	–	–	418,411	**418,411**
Total financial assets for which fair values are disclosed	**6,079,431**	**68,323**	**25,923,906**	**32,071,660**
Financial liabilities for which fair values are disclosed				
Loans from the National Bank of the Republic of Belarus	–	800,000	–	**800,000**
Due to banks	–	10,045,290	–	**10,045,290**
Due to individuals	–	–	12,293,828	**12,293,828**
Due to corporate customers	–	–	9,902,286	**9,902,286**
Debt securities issued	–	835,594	–	**835,594**
Subordinated debt	–	719,116	–	**719,116**
Other financial liabilities	–	–	659,797	**659,797**
Total financial liabilities for which fair values are disclosed	**–**	**12,400,000**	**22,855,911**	**35,255,911**

The following tables show a reconciliation of amount of Level 3 financial assets which are recorded at fair value:

	At 1 January 2015	*Unrealized gain recorded in profit or loss*	*Realized gain recorded in profit or loss*	*Settlements/ movements for premises*	*At 31 December 2015*
Financial assets					
Office premises	766,945	–	–	35,677	802,622
Premises held for sale	8,007	–	–	394	8,401
Derivative financial assets	4,559,913	825,904	1,908,760	(4,377,723)	2,916,854
Total level 3 financial assets	**5,334,865**	**825,904**	**1,908,760**	**(4,341,652)**	**3,727,877**

	At 1 January 2014	*Unrealized gain/(loss) recorded in profit or loss*	*Realized gain/(loss) recorded in profit or loss*	*Settlements/ movements for premises*	*Hyper-inflation effect*	*At 31 December 2014*
Financial assets						
Office premises	849,123	–	–	(82,178)	–	766,945
Premises held for sale	15,885	–	–	(7,878)	–	8,007
Derivative financial assets	5,683,327	902,816	10,132	(1,240,236)	(796,126)	4,559,913
Total level 3 financial assets	**6,548,335**	**902,816**	**10,132**	**(1,330,292)**	**(796,126)**	**5,334,865**

(in millions of Belarusian rubles)

32. Fair value measurement (continued)

Fixed rate financial instruments (continued)

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

	31 December 2015		***31 December 2014***	
	Carrying amount	***Effect of reasonably possible alternative assumptions***	***Carrying amount***	***Effect of reasonably possible alternative assumptions***
Financial assets				
Derivative financial instruments	**2,916,854**	**(13,327)**	**4,559,913**	**(208,340)**
- foreign currency derivatives	2,916,854	(13,327)	2,926,864	(143,929)
- precious metals derivatives	–	–	1,633,049	(64,411)
Financial liabilities				
Derivative financial liabilities	**–**	**–**	**–**	**(1,542)**
- foreign currency derivatives	–	–	–	(1,542)

The input used for estimation of fair values of foreign currency derivatives for 31 December 2015 was the yield to maturity of the Belarusian Eurobonds in USD with maturity date in January 2018, amounting to 7.13% (31 December 2014: 16.51%-19.19%).

The obligations in Belarusian rubles were estimated against the prevailing rate of attracting funds in Belarusian rubles at the reporting date − 27.5% (31 December 2014: 50.0%). Should the input rate for Belarusian rubles decrease for 1,000 base points the carrying value of the foreign currency derivatives would be 0.5% lower (31 December 2014: 5.2% lower with the input rate for Belarusian rubles decrease for 2,000 base points), the carrying value of the precious metals derivatives would 0.1% lower (31 December 2014: 4.1% lower with the input rate for Belarusian rubles decrease for 1000 base points). The Group has changed the quantitative input to 2,000 base points in the sensitivity analysis due to fluctuations of interest rates at the end of 2014.

33. Capital management

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

The capital structure of the Group is comprised of share capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity and a subordinated loan in amount less than 50% of tier 1 capital.

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

The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the National Bank of the Republic of Belarus and the Basel Capital Accord.

(in millions of Belarusian rubles)

33. Capital management (continued)

The Group' capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as of 31 December 2015 and 2014, comprised:

	Year ended 31 December 2015	*Year ended 31 December 2014*
Tier 1 capital		
Share capital	3,217,563	3,217,563
Share premium	5,763	5,763
Retained earnings	1,021,421	813,564
Total Tier 1 capital	**4,244,747**	**4,036,890**
Tier 2 capital		
Revaluation reserve for office premises	267,283	284,923
Fair value reserve for investment securities available-for-sale	16,710	7,547
Applied subordinated loan	1,015,000	719,116
Total Tier 2 capital	**1,298,993**	**1,011,586**
Total capital	**5,543,740**	**5,048,476**
Total risk weighted assets (RWA)	**37,955,344**	**33,232,124**
Core capital adequacy ratio (total Tier 1 capital / total RWA), %	11.2	12.1
Total capital adequacy ratio (total capital / total RWA), %	14.6	15.2

As at 31 December 2015 and 31 December 2014 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 10.7% and 11.2%, respectively and increases norms established by the National Bank of the Republic of Belarus the capital adequacy ratio 10.0%.

34. Risk management policies

The Group implements system approach to risk management, having developed the unified standards for the process of risk management based on the requirements of the National Bank of the Republic of Belarus, methodology of Sberbank of Russia Group and recommendations of Basel Committee on Banking Supervision.

The risk management system developed within the Group is integrated into the corporate management system and is aimed at achieving the key goals and targets of the effective risk management strategy adopted by the Bank.

The main components of the Bank's risk management system are the organizational structure, risk management methodology and procedures: identification, evaluation, monitoring, mitigation and controlling of main risk categories.

The existing organizational structure of the risk management system is in line with the organizational and functional structure, corresponds to the nature and scope of the Bank's activities, rules out the conflict of interest and distributes authority in the sphere of risk management among the following collegiate bodies and structural divisions:

- The Supervisory Board sets the main courses of development and the effective functioning of the risk management system and approves the Bank's Strategic Development Plan, system of risk tolerance indicator (on indicators of risk appetite − in the target model), as well as exercises control over the implementation of the aforementioned system and plan.
- The Risk Committee is responsible for the implementation and internal monitoring of the realization of the Bank's strategy in the sphere of risk management and implementation of the decisions of the Bank's Supervisory Board made in respect of the risk profile, risk tolerance and risk appetite.
- The Management Board of the Bank defines goals and tasks of risk management and in accordance with the declared objectives organizes the effective risk management system, including, by optimal distribution and delegation of authority in the process of risk management, limits compliance regulation and controlling of the powers of the Bank's officials, as well as in the process of taking measures aimed at risk mitigation (limitation).
- Chief Risk Officer of the Bank sets objectives for the development of the Bank's risk management system within the framework of business strategies and risk management strategy of the Bank and Sberbank of Russia JSC Group (including implementation of target risk management processes in the Bank in accord with the instructions and recommendations of Sberbank of Russia Group and requirements of the National Bank of the Republic of Belarus), elaborates respective plans and ensures their fulfillment to the fullest and timeliest extent.

(in millions of Belarusian rubles)

34. Risk management policies (continued)

- Assets and Liabilities Management Committee decides on topics of balance structure management, funding operations, liquidity risk and market risk control, transfer pricing, interest rates, tariffs, the Bank's capital adequacy and structure.
- Major Credit Committee decides on setting/changing/annulment of credit limits for subordinate collegiate bodies, performance of credit operations with legal bodies and individual entrepreneurs, categorized as "largest", "large" or "mid-sized" customer, and also on managing credit risk of financial market operations.
- Minor Credit Committee decides on credit operations with legal bodies and individual entrepreneurs, categorized as "micro", "small" customers and individuals, and other issues relating to credit operations with these categories of customers.
- Operational Risk Committee examines the reports on operational risks (including the analysis of the most significant incidents), decides on measures to be taken for operational risk mitigation and on acceptance of operational risks, considers disputable situations relating to the identification of operational risk owners, as well as takes decisions on the matter.
- The Department of Methodology and Risk Control ensures functioning, improvement and development of the Bank's integrated risk management system, identifies risks, conducts evaluation, monitoring and control of risks, develop measures and procedures aimed at risk limitation and mitigation.
- The Department of Underwriting implements an independent examination of risks (identification, assessment and analysis) for operations with credit risk and makes the conclusion on the basis of the results of the independent examination of risks.
- Other structural divisions of the Bank perform some risk management functions in accordance with the requirements and approaches of Sberbank of Russia Group and local legal regulations of the Bank.

The Group's risk management process does not cover subsidiaries due to insignificant scope of financial operations between the parent Bank and its subsidiaries.

The Bank implements system approach to risk management, having established the unified standards for identification, evaluation and mitigation of risks. In accordance with the aforementioned standards the Bank has elaborated and duly implemented methodology, processes and procedures for management of main risk categories inherent to the Bank's operations, including credit, liquidity, market risks (including currency, interest rate and operational risks).

A description of the Bank's risk management policies in relation to those risks follows.

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Credit risk

The Group is exposed to credit risk which is the risk of potential losses (failure to get the expected profit) due to the Counterparty's default on its financial obligations or failure to timely or fully meet its financial obligations. Credit risk management is performed on the level of counterparties and on loans portfolio level.

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

31 December 2015	*AA*	*A*	*BBB*	*BB*	*B*	*CCC*	*Not rated*	*Total*
Cash equivalents	3,907	1,200,104	900,959	649	2,424,245	787	66,373	**4,597,024**
Mandatory cash balances with the National Bank	−	−	−	−	175,694	−	−	**175,694**
Due from banks	−	−	14,400	−	63,135	31,154	−	**108,689**
Derivative financial assets	−	2	452	22	2,916,888	−	301	**2,917,665**
Loans to corporate customers	−	−	−	−	−	−	26,145,483	**26,145,483**
Loans to individuals	−	−	−	−	−	−	1,665,653	**1,665,653**
Investments available for sale	−	15,835	−	−	7,150,876	−	28,045	**7,194,756**
Investments held to maturity	−	−	−	−	−	−	10,614	**10,614**
Other financial assets	−	−	−	−	−	−	230,539	**230,539**

31 December 2014	*AA*	*A*	*BBB*	*BB*	*B*	*CCC*	*Not rated*	*Total*
Cash equivalents	−	864,338	91,545	−	2,944,057	617	89,607	**3,990,164**
Mandatory cash balances with the National Bank	−	−	−	−	214,285	−	−	**214,285**
Due from banks	−	−	7,000	−	−	51,451	−	**58,451**
Derivative financial assets	−	−	2,843	−	4,590,736	−	224	**4,593,803**
Loans to corporate customers	−	−	−	−	−	−	23,732,562	**23,732,562**
Loans to individuals	−	−	−	−	−	−	1,813,621	**1,813,621**
Investments available for sale	−	8,541	−	−	1,115,619	−	26,174	**1,150,334**
Investments held to maturity	−	−	−	−	208,990	−	10,614	**219,604**
Other financial assets	−	−	−	−	−	−	418,411	**418,411**

As at 31 December 2015 and 31 December 2014 other financial assets comprised past due but not impaired assets in the amount of 17,937 BYR million and 3,173 BYR million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 8.

As at 31 December 2015 and 31 December 2014 the Group had neither past due nor impaired financial assets in addition to those mentioned above.

Geographical concentration

The Group assesses influence of geographical risk on its portfolios. Geographical risk cases are caused by the failure of the foreign Counterparties (legal entities, including banks and financial institutions) to fulfill their obligations due to economic, political and social changes, as well as the unavailability of the currency of the obligation to the Counterparty due to the specific characteristics of the legislation (irrespective of the particular characteristics of the Counterparty itself).

Credit risk of the Group is concentrated in the Republic of Belarus, except for operations with correspondent banks, which are non-residents of the Republic of Belarus.

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Geographical concentration (continued)

Information on the geographical concentration of financial assets and liabilities is presented in the following tables:

31 December 2015	*Belarus*	*CIS Countries*	*OECD Countries*	*Non-OECD countries*	*Total*
Financial assets					
Cash and cash equivalents	4,030,958	279,590	1,825,933	22,391	**6,158,872**
Mandatory cash balances with the National Bank	175,694	–	–	–	**175,694**
Due from banks	94,289	14,400	–	–	**108,689**
Derivative financial assets	2,917,189	474	2	–	**2,917,665**
Loans to corporate customers	26,145,483	–	–	–	**26,145,483**
Loans to individuals	1,665,653	–	–	–	**1,665,653**
Investments available for sale	7,178,921	–	15,835	–	**7,194,756**
Investments held to maturity	10,614	–	–	–	**10,614**
Other financial assets	230,539	–	–	–	**230,539**
Total financial assets	**42,449,340**	**294,464**	**1,841,770**	**22,391**	**44,607,965**
Financial liabilities					
Loans from the National Bank	649,194	–	–	–	**649,194**
Due to banks	446,925	6,416,691	2,790,595	1,298	**9,655,509**
Derivative financial liabilities	61	7,197	–	–	**7,258**
Due to individuals	17,392,596	601,057	77,539	152,262	**18,223,454**
Due to corporate customers	9,918,494	15,185	6,908	291,099	**10,231,686**
Debt securities issued	1,888,663	–	–	–	**1,888,663**
Other financial liabilities	821,418	–	–	–	**821,418**
Subordinated debt	–	1,015,000	–	–	**1,015,000**
Total financial liabilities	**31,117,351**	**8,055,130**	**2,875,042**	**444,659**	**42,492,182**
Net position	**11,331,989**	**(7,760,666)**	**(1,033,272)**	**(422,268)**	

31 December 2014	*Belarus*	*CIS Countries*	*OECD Countries*	*Non-OECD countries*	*Total*
Financial assets					
Cash and cash equivalents	4,706,364	91,544	864,313	4,180	**5,666,401**
Mandatory cash balances with the National Bank	214,285	–	–	–	**214,285**
Due from banks	51,451	7,000	–	–	**58,451**
Derivative financial assets	4,590,960	2,843	–	–	**4,593,803**
Loans to corporate customers	23,732,494	68	–	–	**23,732,562**
Loans to individuals	1,813,621	–	–	–	**1,813,621**
Investments available for sale	1,141,793	–	8,541	–	**1,150,334**
Investments held to maturity	219,604	–	–	–	**219,604**
Other financial assets	418,411	–	–	–	**418,411**
Total financial assets	**36,888,983**	**101,455**	**872,854**	**4,180**	**37,867,472**
Financial liabilities					
Loans from the National Bank	800,000	–	–	–	**800,000**
Due to banks	383,107	6,600,183	3,064,574	1,629	**10,049,493**
Derivative financial liabilities	67	38,564	–	–	**38,631**
Due to individuals	11,040,216	1,035,713	40,700	193,903	**12,310,532**
Due to corporate customers	9,629,792	8,582	66,770	199,784	**9,904,928**
Debt securities issued	832,745	–	–	–	**832,745**
Other financial liabilities	659,797	–	–	–	**659,797**
Subordinated debt	–	719,116	–	–	**719,116**
Total financial liabilities	**23,345,724**	**8,402,158**	**3,172,044**	**395,316**	**35,315,242**
Net position	**13,543,259**	**(8,300,703)**	**(2,299,190)**	**(391,136)**	

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Liquidity risk

Liquidity risk refers to difficulties in obtaining sufficient funds for deposit withdrawals and other financial liabilities associated with financial instruments as they actually fall due.

The tables below show distribution of undiscounted contractual cash flows (taking into account future interest payments) on liabilities by remaining contractual maturities.

31 December 2015	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Total*
Liabilities						
Loans from the National Bank	13,525	378,310	348,698	–	–	**740,533**
Due to banks	912,032	3,327,386	2,347,401	2,945,039	567,061	**10,098,919**
Receivable on derivative financial instruments with negative fair value	(2,881,074)	–	–	–	–	**(2,881,074)**
Payable on derivative financial instruments with negative fair value	2,887,959	–	–	–	–	**2,887,959**
Due to individuals	3,327,994	5,909,131	7,247,516	2,771,357	26,422	**19,282,420**
Due to corporate customers	4,105,705	2,616,225	1,139,303	3,026,853	272,805	**11,160,891**
Debt securities issued	72,430	459,537	76,968	368,054	1,418,677	**2,395,666**
Other financial liabilities	215,951	48,697	55,661	216,896	721,774	**1,258,979**
Subordinated debt	–	27,264	32,824	130,934	1,280,134	**1,471,156**
Total liabilities	**8,654,522**	**12,766,550**	**11,248,371**	**9,459,133**	**4,286,873**	**46,415,449**

31 December 2014	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Total*
Liabilities						
Loans from the National Bank	833,333	–	–	–	–	**833,333**
Due to banks	3,454,063	906,791	3,099,043	2,653,316	333,452	**10,446,665**
Receivable on derivative financial instruments with negative fair value	(612,185)	(37,933)	–	–	–	**(650,118)**
Payable on derivative financial instruments with negative fair value	625,384	58,567	–	–	–	**683,951**
Due to individuals	3,348,234	4,144,251	1,653,674	4,284,420	40,911	**13,471,490**
Due to corporate customers	5,774,612	1,884,952	1,200,888	1,422,598	566,531	**10,849,581**
Debt securities issued	64,317	17,910	21,642	611,841	263,541	**979,251**
Other financial liabilities	238,934	34,215	36,962	146,280	560,500	**1,016,891**
Subordinated debt	–	19,185	23,251	92,880	855,737	**991,053**
Total liabilities	**13,726,692**	**7,027,938**	**6,035,460**	**9,211,335**	**2,620,672**	**38,622,097**

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Liquidity risk (continued)

The following table presents the analysis of the liquidity risk based on the carrying values of assets and liabilities.

31 December 2015	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*No stated maturity*	*Total*
Assets								
Cash and cash equivalents	6,158,872	–	–	–	–	–	–	**6,158,872**
Mandatory cash balances with the National Bank	44,966	49,046	48,498	31,821	1,363	–	–	**175,694**
Due from banks	78,711	4,645	6,892	16,883	1,558	–	–	**108,689**
Derivative financial assets	811	2,147,974	768,880	–	–	–	–	**2,917,665**
Loans to corporate customers	1,609,926	6,631,144	3,492,717	7,765,780	5,387,691	1,258,225	–	**26,145,483**
Loans to individuals	66,473	133,242	243,008	516,411	689,564	16,955	–	**1,665,653**
Non-current asset held for sale	–	–	196,531	–	–	–	–	**196,531**
Investments available for sale	134,310	1,735,574	2,163,987	1,021,295	2,107,452	–	32,138	**7,194,756**
Investments held to maturity	–	–	–	–	10,614	–	–	**10,614**
Investments in an associate	–	–	–	–	–	–	86,950	**86,950**
Premises and equipment	–	–	–	–	–	–	1,496,391	**1,496,391**
Intangible assets	–	–	–	–	–	–	368,168	**368,168**
Current income tax assets	36,068	–	–	–	–	–	–	**36,068**
Deferred income tax assets	–	–	–	–	–	–	20,915	**20,915**
Other assets	302,896	9,034	29	122,616	1,411	17,937	58,057	**511,980**
Total assets	**8,433,033**	**10,710,659**	**6,920,542**	**9,474,806**	**8,199,653**	**1,293,117**	**2,062,619**	**47,094,429**
Liabilities								
Loans from the National Bank	–	324,194	325,000	–	–	–	–	**649,194**
Due to banks	1,014,769	3,163,181	2,229,832	2,724,747	522,980	–	–	**9,655,509**
Derivative financial liabilities	7,258	–	–	–	–	–	–	**7,258**
Due to individuals	3,245,122	5,562,757	6,966,959	2,423,953	24,663	–	–	**18,223,454**
Due to corporate customers	4,037,447	2,380,681	887,651	2,729,776	196,131	–	–	**10,231,686**
Debt securities issued	60,724	400,039	–	167,902	1,259,998	–	–	**1,888,663**
Provisions for guarantees and other commitments	–	–	455	10,170	–	–	–	**10,625**
Other liabilities	240,408	41,968	19,188	83,328	495,847	–	3,561	**884,300**
Subordinated debt	–	–	–	–	1,015,000	–	–	**1,015,000**
Total liabilities	**8,605,728**	**11,872,820**	**10,429,085**	**8,139,876**	**3,514,619**	**–**	**3,561**	**42,565,689**
Net liquidity surplus/(gap)	**(172,695)**	**(1,162,161)**	**(3,508,543)**	**1,334,930**	**4,685,034**	**1,293,117**	**2,059,058**	**4,528,740**
Cumulative liquidity gap as at 31 December 2015	**(172,695)**	**(1,334,856)**	**(4,843,399)**	**(3,508,469)**	**1,176,565**	**2,469,682**	**4,528,740**	

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Liquidity risk (continued)

31 December 2014	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*No stated maturity*	*Total*
Assets								
Cash and cash equivalents	5,666,401	–	–	–	–	–	–	**5,666,401**
Mandatory cash balances with the National Bank	83,345	50,600	26,727	50,502	3,111	–	–	**214,285**
Due from banks	8,709	6,757	10,158	25,237	7,590	–	–	**58,451**
Derivative financial assets	34,398	193,950	1,882,514	2,482,941	–	–	–	**4,593,803**
Loans to corporate customers	1,955,841	5,495,589	3,943,389	7,131,852	4,808,597	397,294	–	**23,732,562**
Loans to individuals	59,603	125,268	231,442	597,112	792,559	7,637	–	**1,813,621**
Non-current asset held for sale	–	–	14,259	–	–	–	–	**14,259**
Investments available for sale	4,566	4,879	–	1,105,848	10,198	–	24,843	**1,150,334**
Investments held to maturity	–	7,240	201,750	–	10,614	–	–	**219,604**
Investments in an associate	–	–	–	–	–	–	72,777	**72,777**
Premises and equipment	–	–	–	–	–	–	1,506,633	**1,506,633**
Intangible assets	–	–	–	–	–	–	237,209	**237,209**
Current income tax assets	–	–	–	–	–	–	–	**–**
Other assets	323,416	1,736	14	290,077	8,612	3,173	146	**627,174**
Total assets	**8,136,279**	**5,886,019**	**6,310,253**	**11,683,569**	**5,641,281**	**408,104**	**1,841,608**	**39,907,113**
Liabilities								
Loans from the National Bank	800,000	–	–	–	–	–	–	**800,000**
Due to banks	3,453,868	797,956	2,993,752	2,486,394	317,523	–	–	**10,049,493**
Derivative financial liabilities	13,240	25,391	–	–	–	–	–	**38,631**
Due to individuals	3,267,328	3,814,198	1,484,462	3,707,017	37,527	–	–	**12,310,532**
Due to corporate customers	5,659,954	1,680,213	1,059,908	1,247,073	257,780	–	–	**9,904,928**
Debt securities issued	61,881	2,091	156	538,214	230,403	–	–	**832,745**
Current income tax liabilities	41,206	–	–	–	–	–	–	**41,206**
Deferred income tax liabilities	–	–	–	–	–	–	69,970	**69,970**
Provisions for guarantees and other commitments	–	–	–	6,799	4,403	–	–	**11,202**
Other liabilities	360,496	19,981	10,444	47,984	360,796	–	–	**799,701**
Subordinated debt	116	–	–	–	719,000	–	–	**719,116**
Total liabilities	**13,658,089**	**6,339,830**	**5,548,722**	**8,033,481**	**1,927,432**	**–**	**69,970**	**35,577,524**
Net liquidity surplus/(gap)	**(5,521,810)**	**(453,811)**	**761,531**	**3,650,088**	**3,713,849**	**408,104**	**1,771,638**	**4,329,589**
Cumulative liquidity gap as at 31 December 2014	**(5,521,810)**	**(5,975,621)**	**(5,214,090)**	**(1,564,002)**	**2,149,847**	**2,557,951**	**4,329,589**	

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Liquidity risk (continued)

The Group's liquidity risk management includes estimation of core deposits, i.e. funds associated with stable customer deposits relationships, the amount of which is calculated with the use of statistical methods applied to historic information on fluctuations of customer accounts balances. Core deposits as at 31 December 2015 and 31 December 2014 are estimated in the amount of BYR 3,427,306 million and BYR 3,253,489 million, respectively. As at 31 December 2015 and 31 December 2014 included in 'Due to banks' were short-term non-tied loans attracted from parent bank in the amount of BYR 4,223,923 million and BYR 2,569,631 million, which commonly are being reinvested on maturity dates. Based on the going concern assumptions the effective maturities of core deposits of funds from parent bank are considered to be undefined. Information as to the expected periods of repayment on customer accounts, funds from parent bank and effective liquidity gaps as at 31 December 2015 and 31 December 2014 is as follows:

31 December 2015	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*No stated maturity*	*Total*
Accounts of individuals analyzed based on expected withdrawal dates	1,401,626	5,562,757	6,966,959	2,423,953	24,663	–	1,843,496	**18,223,454**
Corporate accounts analyzed based on expected withdrawal dates	2,453,637	2,380,681	887,651	2,729,776	196,131	–	1,583,810	**10,231,686**
Funds attracted from other banks analyzed	708,686	771,063	625,487	2,803,370	522,980	–	4,223,923	**9,655,509**
Liquidity gap (based on expected withdrawal dates for customers' accounts)	**3,560,694**	**1,229,957**	**(1,904,198)**	**1,256,307**	**4,685,034**	**1,293,117**	**(5,592,171)**	

31 December 2014	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 3 years*	*More than 3 years*	*Overdue*	*No stated maturity*	*Total*
Accounts of individuals analyzed based on expected withdrawal dates	1,679,629	3,814,198	1,484,462	3,707,017	37,527	–	1,587,699	**12,310,532**
Corporate accounts analyzed based on expected withdrawal dates	3,994,164	1,680,213	1,059,908	1,247,073	257,780	–	1,665,790	**9,904,928**
Funds attracted from other banks analyzed	494,001	898,060	3,103,148	2,639,085	345,568	–	2,569,631	**10,049,493**
Liquidity gap (based on expected withdrawal dates for customers' accounts)	**691,546**	**(553,915)**	**652,135**	**3,497,397**	**3,685,804**	**408,104**	**(4,051,482)**	

As at 31 December 2015 covenants with EBRD were violated in the Group. Liabilities in the amount of BYR 274,648 million were reclassified into the demand group. At the same time the Group's Management doesn't expect the cash outflow connected with violation of the covenants.

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Market risk

Market risk is the possibility of the Group's financial losses, (failure to get the expected profit), as a result of changes in the market value of balance sheet and off-balance sheet items, as well as items nominated in foreign currency and goods due to the change in market prices of financial instruments and goods caused by the fluctuations in foreign currency exchange rates, market interest rates and other factors.

Market risk comprises general (systemic) risk (risk of losses resulting from general fluctuations of the market risk factor, e.g. changes of interest rates, price volatility, etc.) and specific risk (risk of losses resulting from fluctuations of the price of a specific asset due to the factors inherent to this asset (e.g. worsening of the financial position of the securities issuer)).

Market risk covers interest rate risk, currency risk and other pricing risks which the Group is exposed to. Market risk management is organized on the basis of both aggregated risk indicators which combine the effects of individual risk-factors (VaR, stress-test, stop-loss) and indicators associated with individual risk-factors (such as, for instance, indicators of open currency position tied to the fluctuation of the exchange rate of a specific currency pair) allowing to estimate and limit the level of potential losses which may be incurred by the Bank due to the change of prices of financial instruments.

In order to take into account the specific characteristics of instruments and factors in the course of market risk assessment all of the Bank's operations are divided into the trading book and banking book operations. In addition to that, all financial market operations are subject to market conformity process.

Interest rate risk

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

The management of interest rate risk in terms of development and implementation of procedures of identifying, estimating, monitoring and controlling interest rate risk is conducted by the Department of Strategic Management and Treasury in accordance with the requirements to the system of management of interest rate risks defined by the Department of Methodology and Risk Control. The Department of Methodology and Risk Control provides an overall control of functioning of the interest rate risk management system. The Bank's Assets and Liabilities Management Committee takes decisions on interest rate risk mitigation.

The following table presents an interest rate risk sensitivity analysis based on "reasonably possible changes" of interest rates. The degree of these changes is determined by the Management. The sensitivity analysis represents the annual effect on the net profit of the Group of increase/reduction in interest rates in respect of floating rate financial instruments nominated in BYR and foreign currencies existing as at 31 December 2015 and 31 December 2014, respectively, provided that all the other variables are held constant. Additionally, the calculation includes the effect of potential reinvestment of fixed-rate instruments at new market rates as they mature.

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Interest rate risk (continued)

Impact on profit before taxes:

	As at 31 December 2015		*As at 31 December 2014*	
BYR	***Interest rate +10%***	***Interest rate -10%***	***Interest rate +20%***	***Interest rate -20%***
Impact on profit before taxes				
Assets				
Due from banks	4,495	(4,495)	11,632	(11,632)
Loans to customers	665,948	(665,948)	1,565,659	(1,565,659)
Investments available for sale	62,251	(62,251)	1,974	(1,974)
Investments held to maturity	1,061	(1,061)	2,123	(2,123)
Liabilities				
Loans from the National Bank	(64,919)	64,919	–	–
Due to banks	(1,178)	1,178	(57,336)	57,336
Customer accounts	(454,550)	454,550	(1,271,716)	1,271,716
Debt securities issued	(24,011)	24,011	(10,620)	10,620
Net impact on profit before taxes	**189,097**	**(189,097)**	**241,716**	**(241,716)**
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	–	–	–	–
Net impact on comprehensive income	**189,097**	**(189,097)**	**241,716**	**(241,716)**

	As at 31 December 2015		*As at 31 December 2014*	
USD	***Interest rate +5%***	***Interest rate -5%***	***Interest rate +5%***	***Interest rate -5%***
Impact on profit before taxes				
Assets				
Due from banks	3,025	(3,025)	–	–
Loans to customers	477,925	(477,925)	411,340	(411,340)
Investments available for sale	10,977	(10,977)	369	(369)
Investments held to maturity	–	–	2,778	(2,778)
Liabilities				
Due to banks	(35,422)	35,422	(107,736)	107,736
Customer accounts	(400,273)	400,273	(225,033)	225,033
Debt securities issued	(5,498)	5,498	(2,318)	2,318
Net impact on profit before taxes	**50,734**	**(50,734)**	**79,400**	**(79,400)**
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	(25,035)	25,035	(81,713)	81,713
Net impact on comprehensive income	**25,699**	**(25,699)**	**(2,313)**	**2,313**

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Interest rate risk (continued)

EUR	*As at 31 December 2015* Interest rate +5%	Interest rate -5%	*As at 31 December 2014* Interest rate +5%	Interest rate -5%
Impact on profit before taxes				
Assets				
Loans to customers	352,557	(352,557)	287,032	(287,032)
Investments available for sale	152,249	(152,249)	23	(23)
Liabilities				
Due to banks	(237,793)	237,793	(121,817)	121,817
Customer accounts	(109,566)	109,566	(124,291)	124,291
Debt securities issued	(1,516)	1,516	(590)	590
Net impact on profit before taxes	**155,931**	**(155,931)**	**40,357**	**(40,357)**
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	(18,571)	18,571	(1,933)	1,933
Net impact on comprehensive income	**137,360**	**(137,360)**	**38,424**	**(38,424)**

RUB	*As at 31 December 2015* Interest rate +7%	Interest rate -7%	*As at 31 December 2014* Interest rate +10%	Interest rate -10%
Impact on profit before taxes				
Assets				
Loans to customers	78,656	(78,656)	79,162	(79,162)
Investments available for sale	476	(476)	–	–
Liabilities				
Due to banks	(6,490)	6,490	(95,902)	95,902
Customer accounts	(36,970)	36,970	(47,196)	47,196
Debt securities issued	(6,234)	6,234	–	–
Net impact on profit before taxes	**29,438**	**(29,438)**	**(63,936)**	**63,936**
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	–	–	–	–
Net impact on comprehensive income	**29,438**	**(29,438)**	**(63,936)**	**63,936**

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign currency exchange rates and precious metals prices. Due to the structure of its balance sheet the Group is exposed to the effects of fluctuations in the foreign currency exchange rates and precious metals prices.

The Group's risk policy aiming at loss minimization from foreign currency and precious metals exchange rates fluctuations includes daily assessment with 95% probability of maximum exposure to losses from liquidating open currency position within one day and determination of the level of currency risk. The Group has set rigid limitation of open currency position by each type of currency for carrying positions over the next day depending on volatility of currency pairs and stop-loss limit. Considering increased volatility of world markets and for estimation of extraordinary, but still possible, events the Group uses stress-testing procedures. The Group also exercises daily control of currency risk limits set by the National Bank of the Republic of Belarus.

(in millions of Belarusian rubles)

34. Risk management policies (continued)

Currency risk (continued)

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

31 December 2015	*BYR*	*USD 1 USD = BYR 18,569*	*EUR 1 EUR = BYR 20,300*	*RUB 1 RUB = BYR 255.33*	*Precious metals*	*Other currencies*	*Total*
Financial assets							
Cash and cash equivalents	2,556,480	1,581,996	1,687,037	258,613	46,827	27,919	**6,158,872**
Mandatory cash balances with the National Bank of the Republic of Belarus	175,694	–	–	–	–	–	**175,694**
Due from banks	45,554	63,135	–	–	–	–	**108,689**
Derivative financial assets	2,917,665	–	–	–	–	–	**2,917,665**
Loans to corporate customers	5,920,739	10,990,416	7,625,996	1,601,301	–	7,031	**26,145,483**
Loans to individuals	1,580,867	83,907	879	–	–	–	**1,665,653**
Investments available for sale	639,504	1,807,698	4,740,760	6,794	–	–	**7,194,756**
Investments held to maturity	10,614	–	–	–	–	–	**10,614**
Other financial assets	173,260	16,336	28,381	12,133	–	429	**230,539**
Total financial assets	**14,020,377**	**14,543,488**	**14,083,053**	**1,878,841**	**46,827**	**35,379**	**44,607,965**
Financial liabilities							
Loans from the National Bank	649,194	–	–	–	–	–	**649,194**
Due to banks	25,107	1,465,483	7,979,353	176,020	–	9,546	**9,655,509**
Derivative financial liabilities	7,258	–	–	–	–	–	**7,258**
Due to individuals	1,894,868	12,742,419	2,977,048	162,359	446,759	1	**18,223,454**
Due to corporate customers	3,653,690	4,216,051	1,630,534	574,683	135,628	21,100	**10,231,686**
Debt securities issued	240,973	1,181,766	333,152	132,772	–	–	**1,888,663**
Other financial liabilities	160,748	555,516	24,483	80,591	–	80	**821,418**
Subordinated debt	–	–	1,015,000	–	–	–	**1,015,000**
Total financial liabilities	**6,631,838**	**20,161,235**	**13,959,570**	**1,126,425**	**582,387**	**30,727**	**42,492,182**
Currency position	**7,388,539**	**(5,617,747)**	**123,483**	**752,416**	**(535,560)**	**4,652**	

Derivative financial instruments

The analysis of currency risk of derivative financial instruments at par value is given below. Par value of a derivative financial instrument is its contract claims/obligations at the official exchange rate at the reporting date. Par value of derivative financial instruments differs from its fair value, recognized in the statement of financial position, due to the effect of discounting while using interest rate parity model.

31 December 2015	*BYR*	*USD 1 USD = BYR 18,569*	*EUR 1 EUR = BYR 20,300*	*RUB 1 RUB = BYR 255.33*	*Precious metals*	*Other currencies*	*Total*
Claims on derivative financial instruments	67,288	5,325,226	2,573,453	61,443	533,866	479	**8,561,755**
Obligations on derivative financial instruments	(777,583)	(720,880)	(3,051,090)	(1,082,654)	–	–	**(5,632,207)**
Net derivative financial instruments	**(710,295)**	**4,604,346**	**(477,637)**	**(1,021,211)**	**533,866**	**479**	**2,929,548**
Total currency position less fair value of derivative	**3,767,837**	**(1,013,401)**	**(354,154)**	**(268,795)**	**(1,694)**	**5,131**	

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34. Risk management policies (continued)

Currency risk (continued)

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

31 December 2014	*BYR*	*USD 1 USD = BYR 11,850*	*EUR 1 EUR = BYR 14,380*	*RUB 1 RUB = BYR 214.5*	*Precious metals*	*Other currencies*	*Total*
Financial assets							
Cash and cash equivalents	3,592,354	1,179,319	630,077	189,611	70,818	4,222	**5,666,401**
Mandatory cash balances with the National Bank of the Republic of Belarus	214,285	–	–	–	–	–	**214,285**
Due from banks	58,451	–	–	–	–	–	**58,451**
Derivative financial assets	4,593,803	–	–	–	–	–	**4,593,803**
Loans to corporate customers	6,639,272	9,132,602	6,255,320	1,697,515	–	7,853	**23,732,562**
Loans to individuals	1,746,377	66,433	811	–	–	–	**1,813,621**
Investments available for sale	26,175	1,080,508	43,651	–	–	–	**1,150,334**
Investments held to maturity	10,614	208,990	–	–	–	–	**219,604**
Other financial assets	403,210	1,298	6,927	6,948	–	28	**418,411**
Total financial assets	**17,284,541**	**11,669,150**	**6,936,786**	**1,894,074**	**70,818**	**12,103**	**37,867,472**
Financial liabilities							
Loans from the National Bank	800,000	–	–	–	–	–	**800,000**
Due to banks	299,793	2,674,531	3,781,682	1,025,410	2,260,200	7,877	**10,049,493**
Derivative financial Liabilities	38,631	–	–	–	–	–	**38,631**
Due to individuals	1,868,661	7,443,285	2,586,101	124,943	287,528	14	**12,310,532**
Due to corporate customers	5,017,725	1,755,006	2,325,734	656,569	148,706	1,188	**9,904,928**
Debt securities issued	53,468	505,573	271,796	1,908	–	-	**832,745**
Other financial liabilities	174,963	389,361	26,143	69,265	–	65	**659,797**
Subordinated debt	–	–	719,116	–	–	–	**719,116**
Total financial liabilities	**8,253,241**	**12,767,756**	**9,710,572**	**1,878,095**	**2,696,434**	**9,144**	**35,315,242**
Currency position	**9,031,300**	**(1,098,606)**	**(2,773,786)**	**15,979**	**(2,625,616)**	**2,959**	

Derivative financial instruments

The analysis of currency risk of derivative financial instruments at par value is given below. Par value of a derivative financial instrument is its contract claims/obligations at the official exchange rate at the reporting date. Par value of derivative financial instruments differs from its fair value, recognized in the statement of financial position, due to the effect of discounting while using interest rate parity model.

31 December 2014	*BYR*	*USD 1 USD = BYR 11,850*	*EUR 1 EUR = BYR 14,380*	*RUB 1 RUB = BYR 214.5*	*Precious metals*	*Other currencies*	*Total*
Claims on derivative financial instruments	18	2,089,441	3,213,737	102,103	2,628,051	–	**8,033,350**
Obligations on derivative financial instruments	(2,697,936)	(559,829)	(138,203)	(166,683)	–	–	**(3,562,651)**
Net derivative financial instruments	**(2,697,918)**	**1,529,612**	**3,075,534**	**(64,580)**	**2,628,051**	**–**	**4,470,699**
Total currency position less fair value of derivative	**1,778,210**	**431,006**	**301,748**	**(48,601)**	**2,435**	**2,959**	

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34. Risk management policies (continued)

Currency risk sensitivity

The following table details the Group's sensitivity to an increase and decrease in the USD, EUR and RUB rates against the BYR. This is the sensitivity rate which represents the Management's assessment of the possible change in foreign currency exchange rates as at 31 December 2015 and 31 December 2014. The sensitivity analysis includes only amounts in foreign currency available at the end of the period, the conversion of which at the end of this period is performed with the use of exchange rates changed by a certain percent in comparison with the current exchange rates.

	As at 31 December 2015		*As at 31 December 2014*	
	BYR/USD +60%	***BYR/USD -15%***	***BYR/USD +50%***	***BYR/USD -50%***
Impact on profit or loss	(608,041)	152,010	215,503	(215,503)
Impact on comprehensive income	(608,041)	152,010	215,503	(215,503)

	As at 31 December 2015		*As at 31 December 2014*	
	BYR/EUR +60%	***BYR/EUR -30%***	***BYR/EUR +50%***	***BYR/EUR -50%***
Impact on profit or loss	(212,492)	106,246	150,874	(150,874)
Impact on comprehensive income	(212,492)	106,246	150,874	(150,874)

	As at 31 December 2015		*As at 31 December 2014*	
	BYR/RUB +37%	***BYR/RUB -30%***	***BYR/RUB +50%***	***BYR/RUB -50%***
Impact on profit or loss	(99,454)	80,639	(24,301)	24,301
Impact on comprehensive income	(99,454)	80,639	(24,301)	24,301

Limitations of sensitivity analysis

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

The sensitivity analysis does not take into account the fact that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may change in connection with actual market movements. For example, the Group's financial risk management strategy aims to manage possible fluctuations of the market. As financial markets move past various trigger levels, Management actions could include selling positions and taking other protective actions. Consequently, the change in the assumptions may not have any impact on the liabilities and significantly influence the assets, which are held at market value in the statement of financial position. In these circumstances, different measurement bases for liabilities and assets may lead to volatility of shareholders' equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible market changes that cannot be predicted with any degree of certainty. And the assumption that all interest rates move in an identical fashion is also a restriction.

Operational risk

Operational risk is the risk of losses and/or additional costs arising from non-compliance of the Group's established norms and procedures of performing banking operations and other deals with the legislation or violation of the norms and procedures by the employees of the Group, incompetence and errors made by the employees of the Group, inadequacy or failure of the systems used within the Group, information systems included, as well as costs and losses arising from external factors. This definition includes legal, but excludes strategic and reputational risks.

When the internal control system does not prevent risks, operational risks may lead to financial losses, cause damage to reputation or have legal implications. The Group cannot expect to eliminate all operational risks, but with the help of internal control system, monitoring and adequate responding to potential risks the Group can control such risks. The control system includes effective distribution of duties, access rights, authorization and verification procedures, staff training, as well as assessment procedures, including internal audit.

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35. Subsequent events

The international rating agency Fitch Ratings has assigned on 26 February 2016 a long-term sovereign credit rating for Belarus at “B-” and short-term rating at “B” (“stable”).

On 29 February 2016 the Group received a subordinated loan form Sberbank of Russia in the amount of 15 million euro with the interest rate of 6.02% and maturity period ending on 28 February 2023.

The Government of the republic of Belarus is negotiating with the IMF for a loan in the amount of 3 billion USD under the extended funding program at 2.28% rate and with 10-year maturity. At the same time the Government is negotiating and expects to receive a loan from Eurasian Foundation of Stabilization and Development in the amount of 2 billion USD.

Starting in 1 July 2016 the denomination of the official currency of the Republic of Belarus will be held by replacing the banknotes in circulation; 10,000 Belarusian rubles will be replaced by 1 Belarusian ruble.