

BPS-Sberbank and subsidiaries

Interim Condensed Consolidated financial statements

For the 3 months ended 31 March 2016

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Interim condensed consolidated statement of financial position**As of 31 March 2016***(in millions of Belarusian Roubles)*

	Notes	31 March 2016	31 December 2015
Assets			
Cash and cash equivalents	3	3,721,030	6,158,872
Mandatory cash balances with the National Bank of the Republic of Belarus		182,143	175,694
Due from banks	4	27,679	108,689
Derivative financial assets	5	861,429	2,917,665
Loans to corporate customers	6	27,159,673	26,145,483
Loans to individuals	6	1,592,551	1,665,653
Non-current assets held for sale	7	184,924	196,531
Investments available for sale	8	7,871,945	7,194,756
Investments held to maturity	9	10,839	10,614
Investments in associates		93,701	86,950
Premises and equipment	10	1,456,009	1,496,391
Intangible assets	10	374,762	368,168
Current income tax assets		131	36,068
Other financial assets	11	160,660	230,539
Other non-financial assets	11	308,122	281,441
Deferred income tax assets		68,519	20,915
Total assets		44,074,117	47,094,429
Liabilities and equity			
Liabilities			
Loans from the National bank of the Republic of Belarus		654,913	649,194
Due to banks	12	7,429,218	9,655,509
Derivative financial liabilities	5	12,156	7,258
Due to individuals	13	18,483,134	18,223,454
Due to corporate customers	13	9,245,278	10,231,686
Debt securities issued	14	1,525,032	1,888,663
Provisions for guarantees and other commitments	18	3,210	10,625
Other financial liabilities	15	770,775	821,418
Other non-financial liabilities	15	66,773	62,882
Subordinated debt		1,480,635	1,015,000
Total liabilities		39,671,124	42,565,689
Equity			
Share capital	16	3,217,563	3,217,563
Share premium		5,763	5,763
Revaluation reserve for office premises and assets held for sale		262,785	267,283
Investments available for sale fair value deficit		16,955	16,710
Retained earnings		899,927	1,021,421
Total equity attributable to shareholders of the Bank		4,402,993	4,528,740
Non-controlling interest		-	-
Total equity		4,402,993	4,528,740
Total liabilities and equity		44,074,117	47,094,429

Signed and authorized for release on behalf of the Management Board



Executive Director
Liliya M. Astapovich

25 May 2016
Minsk


Chief Accountant
Nina N. Ilyukevich

25 May 2016
Minsk

Interim condensed Consolidated income statement
For the 3 months ended 31 March 2016
(in millions of Belarusian Roubles)

	Notes	3 months ended 31 March 2016	3 months ended 31 March 2015
Interest income	17	1,452,287	1,602,166
Interest expense	17	(685,759)	(883,234)
Contributions to deposits protection fund	17	(27,934)	(43,592)
Net interest income before provision for impairment losses on interest bearing assets	17	738,594	675,340
Allowance for impairment losses on interest bearing assets	18	(1,033,898)	(613,022)
Net interest (expense)/income		(295,304)	62,318
Fee and commission income	19	388,190	390,739
Fee and commission expense	19	(84,337)	(82,004)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	20	241,348	334,354
Net losses arising from operations with precious metals and precious metals derivatives	20	(43,719)	(177,771)
Impairment of non-current asset held for sale		(14)	-
Reversal on other provisions	18	7,415	7,077
Other income	21	24,465	31,278
Net non-interest income		533,348	503,673
Operating income		238,044	565,991
Operating expenses	22	(410,678)	(504,703)
Share of results of an associate		6,751	16,669
(Loss)/Profit before income taxes		(165,883)	77,957
Income tax savings		40,477	23,053
Net (loss)/profit		(125,406)	101,010
Attributable to:			
Shareholders of the parent Bank		(125,406)	101,026
Non-controlling interest		-	(16)
Net (loss)/profit		(125,406)	101,010

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 Executive Director
 Liliya M. Astapovich

25 May 2016
 Minsk


 Chief Accountant
 Nina N. Ilyukevich

25 May 2016
 Minsk

Interim condensed consolidated statement of comprehensive income**For the 3 months ended 31 March 2016***(in millions of Belarusian Roubles)*

Notes	3 months ended 31 March 2016	3 months ended 31 March 2015
Net (loss)/profit	<u>(125,406)</u>	<u>101,010</u>
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Net change in fair value of investments available for sale	<u>245</u>	<u>824</u>
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	<u>245</u>	<u>824</u>
<i>Other comprehensive income not being reclassified to profit or loss in subsequent periods:</i>		
Net change in fair value remeasurement of assets held for sale	(150)	–
Net other comprehensive loss not being reclassified to profit or loss in subsequent periods:	<u>(150)</u>	<u>–</u>
Other comprehensive income	<u>95</u>	<u>824</u>
Total comprehensive (loss) /income	<u>(125,311)</u>	<u>101,834</u>
Attributable to:		
Shareholders of the parent	(125,311)	101,850
Minority interest	–	(16)
Total comprehensive (loss)/income	<u>(125,311)</u>	<u>101,834</u>

Interim condensed consolidated statement of changes in equity**For the 3 months ended 31 March 2016***(in millions of Belarusian Roubles)*

	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 2014		3,217,563	5,763	284,923	7,547	813,564	4,329,360	229	4,329,589
Gain for the period		–	–	–	–	101,026	101,026	(16)	101,010
Other comprehensive income for the period		–	–	–	824	–	824	–	824
Total comprehensive income for the period					824	101,026	101,850	(16)	101,834
Amortisation of revaluation reserve for premises, net of tax		–	–	(4,405)	–	4,405	–	–	–
Dividends	16	–	–	–	–	(436)	(436)	–	(436)
31 March 2015		3,217,563	5,763	280,518	8,371	918,559	4,430,774	213	4,430,987
31 December 2015		3,217,563	5,763	267,283	16,710	1,021,421	4,528,740	–	4,528,740
Loss for the period		–	–	–	–	(125,406)	(125,406)	–	(125,406)
Other comprehensive income for the period		–	–	(150)	245	–	95	–	95
Total comprehensive loss for the period				(150)	245	(125,406)	(125,311)	–	(125,311)
Amortisation of revaluation reserve for premises, net of tax		–	–	(4,348)	–	4,348	–	–	–
Dividends	16	–	–	–	–	(436)	(436)	–	(436)
31 March 2016		3,217,563	5,763	262,785	16,955	899,927	4,402,993	–	4,402,993

Interim condensed consolidated statement of cash flows**For the 3 months ended 31 March 2016***(in millions of Belarusian Roubles)*

	<i>Notes</i>	3 months ended 31 March 2016	3 months ended 31 March 2015
Cash flows from operating activities			
Interest income		1,196,555	1,350,912
Interest expense		(667,957)	(834,552)
Fee and commission income		388,190	390,739
Fee and commission expense		(84,337)	(82,004)
Net (loss)/gain on foreign exchange operations		(150,590)	247,675
Net gain on derivative financial instruments		2,617,916	85,228
Net gain on precious metals		99,153	245
Other income		24,437	31,264
Operating expenses		(402,509)	(455,619)
Income taxes paid		28,810	4,000
Cash flows from operating activities before changes in operating assets and liabilities		3,049,668	737,888
Changes in operating assets and liabilities			
<i>(Increase)/decrease in operating assets:</i>			
Minimum reserve deposit with the National Bank of the Republic of Belarus		(6,449)	50,644
Due from banks		84,503	(24,596)
Loans to corporate customers		2,248,927	2,190,679
Loans to individuals		63,840	78,478
Other assets		152,947	49,791
<i>Increase/(decrease) in operating liabilities:</i>			
Loans from the National Bank of the Republic of Belarus		6,071	(800,000)
Due to banks		(4,971,849)	(3,068,385)
Due to individuals		(1,364,047)	136,324
Due to corporate customers		(1,702,331)	(1,242,251)
Debt securities issued		(534,295)	431,184
Other liabilities		(118,542)	(125,299)
Net cash outflow from operating activities		(3,091,557)	(1,585,543)

Interim condensed consolidated statement of cash flows**For the 3 months ended 31 March 2016***(in millions of Belarusian Roubles)*

	Notes	3 months ended 31 March 2016	3 months ended 31 March 2015
Cash flows from investing activities			
Purchase of premises, equipment and intangible assets		(57,571)	(73,869)
Proceeds on sale of premises and equipment		3,895	142,792
Disposals of HFS assets		18,946	–
Proceeds on repayment of investments available for sale		78,629	–
Dividends received		28	12,126
Net cash inflow from investing activities		43,927	81,049
Cash flows from financing activities			
Subordinated debt		354,750	–
Net cash inflow from financing activities		354,750	–
Effect of changes in foreign exchange rates on cash and cash equivalents		255,038	320,895
Net decrease in cash and cash equivalents		(2,692,880)	(1,504,494)
Cash and cash equivalents, beginning of the period	3	6,158,872	5,666,401
Cash and cash equivalents, end of the period	3	3,721,030	4,482,802

*(in millions of Belarusian Roubles)***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 March 2016 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, %		Type of operation
		31 March 2016	31 December 2015	
Subsidiaries				
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	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 during 3 months, ended 31 March 2016, and 3 months, ended 31 March 2015 was 3,907 and 4,238 persons, respectively.

As at 31 March 2016 and 31 December 2015 the following shareholders owned the issued shares of the Bank:

Shareholder	31 March 2016, %	31 December 2015, %
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 interim condensed consolidated financial statements were authorized for issue by the Management Board on 25 May 2016.

(in millions of Belarusian Roubles)

2. Basis of presentation

Accounting basis

These interim condensed consolidated financial statements of the Group for 3 months ended 31 March 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* ("IAS 34").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2015.

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

	<u>31 March 2016</u>	<u>31 December 2015</u>
BYR/USD	20,133.00	18,569.00
BYR/EUR	22,779.00	20,300.00
BYR/RUB	297.49	255.33

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

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2015.

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.

*(in millions of Belarusian Roubles)***3. Cash and cash equivalents**

	31 March 2016	31 December 2015
Current accounts with the National Bank	1,290,509	2,412,387
Cash	1,269,715	1,561,848
Correspondent accounts and placements with other banks:		
- Belarus	274,818	12,724
- Other countries	688,803	2,127,914
Settlements with non-bank financial institutions	197,185	43,999
Total cash and cash equivalents	3,721,030	6,158,872

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 three large foreign banks at 31 March 2016 amounted BYR 598,736 million or 83.9% of the balance on correspondent accounts and placements with banks of other countries. As at 31 December 2015 the balance on correspondent accounts of four large foreign banks amounted BYR 2,031,276 million or 95.5% 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 March 2016 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	-	273,704	1,114	274,818
- Other countries	304,586	361,631	22,586	688,803
Total	304,586	635,335	23,700	963,621

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	1,827,718	277,901	22,295	2,127,914
Total	1,827,718	290,546	22,374	2,140,638

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

As at 31 March 2016 and 31 December 2015 all cash and cash equivalents are neither past due nor impaired.

4. Due from banks

Due from banks comprise:

	31 March 2016	31 December 2015
Time deposits and loans to banks:		
- Belarus	27,679	94,289
- Other countries	-	14,400
Total due from banks	27,679	108,689

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

*(in millions of Belarusian Roubles)***4. Due from banks (continued)**

Analysis by credit quality of the balances with counterparty banks as at 31 March 2016 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	–	27,679	27,679
- Other countries	–	–	–
Total	–	27,679	27,679

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:

	Speculative rating	Not rated	Total
Time deposits and loans to banks:			
- Belarus	–	94,289	94,289
- Other countries	–	14,400	14,400
Total	–	108,689	108,689

As at 31 March 2016 and 31 December 2015 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 27,679 million and BYR 31,151 million, respectively, with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National Bank.

5. Derivative financial instruments

As at 31 March 2016 and 31 December 2015 derivative financial instruments comprise:

Derivative type	Nominal amount (in units of currency to be purchased)	Fair value as at 31 March 2016	
		Asset	Liability
USD/BYR foreign currency swap	USD 51,880,695	854,431	–
USD/EUR foreign currency forward	USD 148,996,523	5,886	10,627
USD/RUB foreign currency forward	USD 25,700,000	707	463
XAU/USD precious metals forward	XAU 646,953	157	–
RUB/USD foreign currency forward	RUB 241,700,200	122	313
RUB/BYR foreign currency forward	RUB 306,900,000	99	–
EUR/RUB foreign currency forward	EUR 459,025	17	–
BYR/EUR foreign currency forward	BYR 1,394,292,236	8	–
EUR/USD foreign currency forward	EUR 10,400,000	2	612
BYR/RUB foreign currency forward	BYR 163,200	–	–
RUB/EUR foreign currency forward	RUB 7,638,000	–	6
EUR/BYR foreign currency forward	EUR 3,255,000	–	135
Total derivative financial instruments		861,429	12,156

*(in millions of Belarusian Roubles)***5. Derivative financial instruments (continued)**

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

As at 31 March 2016 and 31 December 2015 derivative financial instruments mainly comprised swap contracts with the National Bank to purchase foreign currency for Belarusian rubles.

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. On 25th February, 2016, the National Bank's bonds were redeemed and the aforesaid currency swap was closed.

*(in millions of Belarusian Roubles)***6. Loans to customers**

The tables below show credit quality of the Group's loan portfolio by loan classes as at 31 March 2016 and 31 December 2015.

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 March 2016	Not past due loans	Past due loans	Total
Commercial loans to legal entities	11,660,749	3,083,867	14,744,616
Specialized loans to legal entities	11,309,732	5,778,508	17,088,240
Consumer and other loans to individuals	662,166	66,784	728,950
Credit cards and overdrafts	270,680	19,231	289,911
Mortgage loans to individuals	565,522	48,046	613,568
Car loans to individuals	66,078	4,369	70,447
Total loans to customers before allowance for loan impairment	24,534,927	9,000,805	33,535,732
Less: allowance for loan impairment	(1,629,723)	(3,153,785)	(4,783,508)
Total loans to customers net of allowance for loan impairment	22,905,204	5,847,020	28,752,224

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

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.

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

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

*(in millions of Belarusian Roubles)***6. Loans to customers (continued)**

The table below shows the analysis of loans and allowance for loan impairment as at 31 March 2016:

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Commercial loans to legal entities				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
Not past due	10,272,599	(194,044)	10,078,555	1.9%
Loans up to 30 days overdue	3,479	(143)	3,336	4.1%
Loans 31 to 60 days overdue	260,806	(3,734)	257,072	1.4%
Loans 61 to 90 days overdue	172,467	(1,941)	170,526	1.1%
Loans 91 up to 180 days overdue	625,791	(35,614)	590,177	5.7%
Loans over 180 days overdue	230,021	(68,488)	161,533	29.8%
Total collectively assessed loans	11,565,163	(303,964)	11,261,199	2.6%
Individually impaired				
Not past due	1,388,150	(132,841)	1,255,309	9.6%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	2,631	(765)	1,866	29.1%
Loans 61 to 90 days overdue	169,802	(42,177)	127,625	24.8%
Loans 91 up to 180 days overdue	338,517	(169,273)	169,244	50.0%
Loans over 180 days overdue	1,280,353	(884,233)	396,120	69.1%
Total individually impaired loans	3,179,453	(1,229,289)	1,950,164	38.7%
Total commercial loans to legal entities	14,744,616	(1,533,253)	13,211,363	10.4%
Specialized loans to legal entities				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
Not past due	9,004,637	(785,601)	8,219,036	8.7%
Loans up to 30 days overdue	28	(2)	26	7.1%
Loans 31 to 60 days overdue	82,237	(3,866)	78,371	4.7%
Loans 61 to 90 days overdue	144,467	(13,352)	131,115	9.2%
Loans 91 up to 180 days overdue	65,835	(3,714)	62,121	5.6%
Loans over 180 days overdue	126,467	(35,472)	90,995	28.0%
Total collectively assessed loans	9,423,671	(842,007)	8,581,664	8.9%
Individually impaired				
Not past due	2,305,095	(493,732)	1,811,363	21.4%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	2,135,226	(514,210)	1,621,016	24.1%
Loans 61 to 90 days overdue	314,191	(84,719)	229,472	27.0%
Loans 91 up to 180 days overdue	1,195,005	(140,599)	1,054,406	11.8%
Loans over 180 days overdue	1,715,052	(1,064,663)	650,389	62.1%
Total individually impaired loans	7,664,569	(2,297,923)	5,366,646	30.0%
Total specialized loans to legal entities	17,088,240	(3,139,930)	13,948,310	18.4%
Total loans to legal entities	31,832,856	(4,673,183)	27,159,673	14.7%

*(in millions of Belarusian Roubles)***6. Loans to customers (continued)**

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Consumer and other loans to individuals				
<i>Collectively assessed</i>				
Not past due	662,166	(2,752)	659,414	0.4%
Loans up to 30 days overdue	15,728	(2,902)	12,826	18.5%
Loans 31 to 60 days overdue	5,742	(3,145)	2,597	54.8%
Loans 61 to 90 days overdue	2,821	(2,821)	–	100.0%
Loans 91 up to 180 days overdue	6,641	(6,641)	–	100.0%
Loans over 180 days overdue	35,852	(35,852)	–	100.0%
Total consumer and other loans to individuals	728,950	(54,113)	674,837	7.4%
Credit cards and overdrafts				
<i>Collectively assessed</i>				
Not past due	270,680	(17,615)	253,065	6.5%
Loans up to 30 days overdue	19,231	(1,252)	17,979	6.5%
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	289,911	(18,867)	271,044	6.5%
Mortgage loans to individuals				
<i>Collectively assessed</i>				
Not past due	565,522	(2,965)	562,557	0.5%
Loans up to 30 days overdue	19,120	(3,563)	15,557	18.6%
Loans 31 to 60 days overdue	3,082	(2,465)	617	80.0%
Loans 61 to 90 days overdue	9,312	(8,565)	747	92.0%
Loans 91 up to 180 days overdue	4,975	(4,975)	–	100.0%
Loans over 180 days overdue	11,557	(11,557)	–	100.0%
Total mortgage loans to individuals	613,568	(34,090)	579,478	5.6%
Car loans to individuals				
<i>Collectively assessed</i>				
Not past due	66,078	(173)	65,905	0.3%
Loans up to 30 days overdue	1,307	(158)	1,149	12.1%
Loans 31 to 60 days overdue	269	(134)	135	49.8%
Loans 61 to 90 days overdue	168	(165)	3	98.2%
Loans 91 up to 180 days overdue	547	(547)	–	100.0%
Loans over 180 days overdue	2,078	(2,078)	–	100.0%
Total car loans to individuals	70,447	(3,255)	67,192	4.6%
Total loans to individuals	1,702,876	(110,325)	1,592,551	6.5%
Total loans and advances to customers as at 31 March 2016	33,535,732	(4,783,508)	28,752,224	14.3%

*(in millions of Belarusian Roubles)***6. 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				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
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				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
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 Roubles)***6. Loans to customers (continued)**

	Gross loans	Allowance for loan impairment	Net loans	Allowance for loan impairment to gross loans
Consumer and other loans to individuals				
<i>Collectively assessed</i>				
Not past due	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				
<i>Collectively assessed</i>				
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				
<i>Collectively assessed</i>				
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				
<i>Collectively assessed</i>				
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%

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

*(in millions of Belarusian Roubles)***6. Loans to customers (continued)**

As at 31 March 2016 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	2,474,682	(1,157,608)	1,317,074	46.8%
Specialised loans to legal entities	3,102,359	(1,244,448)	1,857,911	40.1%
Consumer and other loans to individuals	42,493	(42,493)	–	100.0%
Mortgage loans to individuals	16,532	(16,532)	–	100.0%
Car loans to individuals	2,625	(2,625)	–	100.0%
Total non-performing loans to customers as at 31 March 2016	5,638,691	(2,463,706)	3,174,985	43.7%

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%

Movements in allowances for impairment losses for the periods ended 31 March 2016 and 31 December 2015 are disclosed in Note 18.

Information on loans which terms have been renegotiated, as at 31 March 2016 and 31 December 2015 is presented in the tables below. It shows the carrying amount for renegotiated loans by class.

	31 March 2016	31 December 2015
Commercial loans to legal entities	317,134	837,863
Specialised loans to legal entities	793,832	172,252
Consumer and other loans to individuals	556	606
Mortgage loans to individuals	6,973	5,563
Car loans to individuals	25	31
Total renegotiated loans before allowance for loan impairment	1,118,520	1,016,315

The loans to legal entities within the business size of borrowers as at 31 March 2016 and 31 December 2015 are as follows:

	31 March 2016	31 December 2015
Largest clients	9,758,727	8,904,200
Large clients	14,969,756	14,329,339
Medium business	3,144,328	2,998,153
Small business	3,960,045	3,709,101
Total loans to legal entities before allowance for loan impairment	31,832,856	29,940,793

*(in millions of Belarusian Roubles)***6. Loans to customers (continued)**

Included in commercial loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 31 March 2016 and 31 December 2015 is as follows:

	31 March 2016	31 December 2015
Gross investment in finance lease	38,289	70,128
Unearned future finance income on finance lease	(8,860)	(23,599)
Net investment in finance lease before allowance for impairment	29,429	46,529
Less allowance for impairment	(5,480)	(13,477)
Net investment in finance lease after allowance for impairment	23,949	33,052

The contractual maturity analysis of net investments in finance lease as at 31 March 2016 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	19,393	(3,611)	15,782
Later than 1 year but not later than 5 years	10,036	(1,869)	8,167
Later than 5 years	-	-	-
Total as at 31 March 2016	29,429	(5,480)	23,949

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 analysis of minimal finance lease receivables as at 31 March 2016 and 31 December 2015 per contractual maturity is as follows:

	31 March 2016	31 December 2015
Not later than 1 year	25,623	51,474
Later than 1 year but not later than 5 years	12,666	18,654
Later than 5 years	-	-
Total	38,289	70,128

*(in millions of Belarusian Roubles)***6. Loans to customers (continued)**

Economic sector risk concentrations within the customer loan portfolio as 31 at March 2016 and 31 December 2015 are as follows:

	31 March 2016		31 December 2015	
	Amount	%	Amount	%
Real estate	8,252,940	24.4	7,753,191	24.3
Trade and catering	5,517,502	16.5	5,203,211	16.4
Machinery and equipment	4,228,161	12.6	4,052,862	12.8
Food	3,110,239	9.3	3,008,909	9.5
Chemical and oil refinery industry	1,703,325	5.1	1,787,837	5.6
Individuals	1,702,876	5.1	1,756,520	5.5
Metallurgy	1,239,566	3.7	746,413	2.4
Construction	1,140,603	3.4	1,173,649	3.7
Financial services	1,130,157	3.4	1,012,749	3.2
Building materials	815,939	2.4	862,435	2.7
Timber and woodworking industry	792,735	2.4	716,338	2.3
Light industry	653,958	2.0	558,317	1.8
Energy and fuel	603,729	1.8	561,105	1.8
Agriculture	493,116	1.5	462,121	1.5
Transport and communication	479,013	1.4	495,554	1.6
Mining	338,108	1.0	239,798	0.8
Other	1,333,765	4.0	1,306,304	4.1
Total loans to customers before allowance for loan impairment	33,535,732	100.0	31,697,313	100.0

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

	31 March 2016	31 December 2015
Loans collateralized by equipment and rights thereon	13,002,761	5,696,121
Loans collateralized by real estate or rights thereon	9,296,622	14,001,862
Loans collateralized by lien over receivables	3,523,335	3,924,079
Loans collateralized by guarantees of enterprises	1,960,019	1,620,501
Loans collateralized by inventories	1,730,966	1,930,885
Loans collateralized by means of transport	1,144,894	1,235,364
Loans collateralized by guarantees of individuals	791,982	1,128,574
Loans collateralized by guarantees of the Government and local authorities	482,144	503,679
Loans collateralized by cash or guarantee deposits	128,867	104,010
Loans collateralized by other types of collateral	1,474,142	1,552,238
	33,535,732	31,697,313
Less allowance for loan impairment	(4,783,508)	(3,886,177)
Total loans to customers	28,752,224	27,811,136

As at 31 March 2016 the aggregated loan amount of 20 largest borrowers was BYR 13,331,904 million or 39.8% of the total gross loan portfolio of the Group (31 December 2015: BYR 12,203,623 million or 38.5%).

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

At the 31 March 2016 the Group has entered into Funded Participation Deals. As at 31 March 2016 The Group issued loans to its corporate customers funded by the banks of Sberbank of Russia Group in amount of BYR 14,567,787 million (31 December 2015: 15,237,631). 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 129,159 and BYR 153,211 as at 31 March 2016 and 31 December 2015 respectively.

*(in millions of Belarusian Roubles)***7. Non-current assets held for sale**

As at 31 March 2016 and 31 December 2015 non-current assets held for sale include premises previously used by the Group, residential real estate and selling spaces of a bankrupted borrowers.

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

8. Investments available for sale

Investments available for sale comprise:

	<i>Interest to nominal, %</i>	<i>31 March 2016</i>	<i>Interest to nominal, %</i>	<i>31 December 2015</i>
Long-term government bonds in foreign currency	6.85%-7.25%	7,209,516	6.85%-7.25%	6,477,798
Long-term government bonds in national currency	25.0%	618,081	25.0%	611,457
Bonds of Belarusian banks	–	–	6.00%	61,621
Shares	–	33,233	–	32,139
Bonds issued by municipalities	25.0%	11,115	25.0%	11,741
Total investments available for sale		7,871,945		7,194,756

9. Investments held to maturity

Investments held to maturity comprise:

	<i>Currency</i>	<i>Maturity date</i>	<i>Interest to nominal</i>	<i>31 March 2016</i>
Bonds issued by municipalities	BYR	July 2020	25.00%	10,839
Total investments held to maturity				10,839

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

10. Premises and equipment and intangible assets

For the 3 months ended 31 March 2016 the Group's premises, equipment, and intangible assets additions amounted to BYR 49,098 million (for the 3 months ended 31 March 2015 - BYR 91,502 million), disposals of premises, equipment, and intangible assets amounted to 21,295 million (for the 3 months ended 31 March 2015 - BYR 471 million).

As at 31 March 2016 included in computer equipment are fully depreciated items in the amount of BYR 156,269 million (31 December 2015: BYR 159,214 million), in vehicles in the amount of BYR 13,299 million (31 December 2015: BYR 43,317 million) and in furniture and other assets in the amount of BYR 132,710 million (31 December 2015: BYR 109,191 million).

*(in millions of Belarusian Roubles)***11. Other assets**

Other assets comprise:

	31 March 2016	31 December 2015
Other financial assets		
Receivables on Group's cards settlements	86,600	166,260
Accrued income	70,754	63,162
Receivables from purchasers of Group's fixed assets	611	611
Other accounts receivables due to business transactions to be settled in cash	2,695	506
Accounts receivables due to business transactions to be settled in cash	160,660	230,539
Other non-financial assets		
Precious metals	72,956	63,309
Taxes recoverable and prepaid, other than income taxes	71,967	75,564
Premises in stock	60,132	60,132
Prepaid expenses	54,303	40,896
Prepayments for premises, equipment and intangible assets	19,817	14,639
Inventory	163	277
Other advances and prepayments	28,784	26,624
	308,122	281,441
Total other assets	468,782	511,980

12. Due to banks

Due to banks comprise:

	31 March 2016	31 December 2015
Trade finance deals	4,048,685	3,839,531
Loans from banks and financial institutions	2,828,437	5,512,668
Correspondent accounts of banks	552,096	303,310
Total due to banks	7,429,218	9,655,509

As at 31 March 2016 a balance of due to banks amounting to BYR 5,356,470 million was to three counterparties, including BYR 3,798,834 million due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

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.

*(in millions of Belarusian Roubles)***13. Due to individuals and due to corporate customers**

Due to individuals and corporate customers comprise:

	31 March 2016	31 December 2015
Individuals:		
- Current/demand accounts	1,946,772	2,855,147
- Term deposits	16,536,362	15,368,307
Total due to individuals	18,483,134	18,223,454
State and public organisations:		
- Current/settlement accounts	149,566	145,334
- Term deposits	233,929	245,014
Total due to state and public organisations	383,495	390,348
Other corporate customers:		
- Current/settlement accounts	3,301,186	2,844,426
- Term deposits	5,560,597	6,996,912
Total due to other corporate customers	8,861,783	9,841,338
Total due to corporate customers	9,245,278	10,231,686
Total due to individuals and corporate customers	27,728,412	28,455,140

As at 31 March 2016 included in due to corporate customers are deposits of BYR 334,251 million (31 December 2015: BYR 469,496 million) held as collateral for irrevocable commitments under import letters of credit.

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 March 2016 the aggregated balances of 20 largest customers was BYR 3,138,457 million or 11.3% of total due to individuals and corporate customers (31 December 2015: BYR 3,977,099 million or 14.0%).

Industry sector concentrations within customer accounts are as follows:

	31 March 2016		31 December 2015	
	Amount	%	Amount	%
Individuals	18,483,134	66.7	18,223,454	64.0
Process industry	2,653,630	9.6	2,347,072	8.2
Trade	1,713,875	6.2	1,276,797	4.5
Construction	1,039,568	3.7	1,193,407	4.2
Transport	724,281	2.6	2,308,196	8.1
Scientific work	696,559	2.5	586,829	2.1
Energy	470,805	1.7	194,278	0.7
Communications	358,050	1.3	851,946	3.0
Agriculture	324,237	1.2	304,100	1.1
Insurance and other financial services	309,878	1.1	272,770	1.0
Mediation	209,196	0.8	111,798	0.4
State and government bodies	161,882	0.6	122,946	0.4
Mining	145,121	0.5	120,867	0.4
Sport & art	102,643	0.4	245,222	0.9
Education	68,942	0.2	60,476	0.2
Hotel business	49,202	0.2	34,318	0.1
Administrative	40,825	0.1	54,119	0.2
Public health	37,839	0.1	23,937	0.1
Household	234	0.0	255	0.0
Other	138,511	0.5	122,353	0.4
Total due to individuals and corporate customers	27,728,412	100.0	28,455,140	100.0

*(in millions of Belarusian Roubles)***14. Debt securities issued**

Debt securities issued comprise:

	31 March 2016	31 December 2015
Bonds issued to legal entities	1,502,340	1,769,059
Bonds issued to individuals	11,360	118,341
Certificates of deposit	11,331	1,262
Saving certificates	1	1
Total debt securities issued	1,525,032	1,888,663

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 2015: from “on demand” to December 2024). Interest rates on such bonds vary from 5 - 6.5% (for bonds in USD, EUR and RUB) to 25-27% (for bonds in BYR) p.a. (31 December 2015: from 5-7.5% (for bonds in USD, EUR and RUB) to 25-27% (for bonds in BYR) 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 2015: 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 2015: from 7.0% (for bonds in USD and EUR) to 28.5% (for bonds in BYR) p.a.).

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

15. Other liabilities

Other liabilities comprise:

	31 March 2016	31 December 2015
Other financial liabilities		
Payables for finance lease	655,292	607,213
Payments due to other contractors	31,802	55,441
Unused leave and bonus accrual	29,922	87,652
Accrued contributions to deposits protection fund	27,059	27,068
Accrued fee payable under documentary transactions and transactions with plastic cards	21,141	19,517
Settlement accounts on other banking services	4,033	23,095
Payables for premises and equipment	1,041	1,383
Payables of dividends	485	49
	770,775	821,418
Other non-financial liabilities		
Taxes payable, other than income taxes	57,940	53,089
Other	8,833	9,793
	66,773	62,882
Total other liabilities	837,548	884,300

As at 31 March 2016 and 31 December 2015 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 March 2016 and as at 31 December 2015 are analyzed as follows:

31 March 2016	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Minimum lease payments	118,909	463,278	536,403	1,118,590
Future finance costs	(79,904)	(260,271)	(123,123)	(463,298)
Net liabilities under finance lease agreements	39,005	203,007	413,280	655,292

*(in millions of Belarusian Roubles)***15. Other liabilities (continued)**

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
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

As at 31 March 2016 and 31 December 2015 current amount of future minimum lease payments and present value comprised:

31 March 2016	Not later than 1 year	Later than 1 year and not later than 5 years	Later than 5 years	Total
Minimum lease payments	118,909	463,278	536,403	1,118,590
Present value of minimum lease payments	110,820	318,346	226,126	655,292

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

16. Share capital

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

	Number of shares		Nominal amount, BYR		Hyperinflation adjustment	Total
	Preferred	Ordinary	Preferred	Ordinary		
31 December 2015	871,112	1,470,828,888	500	500	2,481,713	3,217,563
31 March 2016	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 3 months ended 31 March 2016 the Bank declared BYR 436 million dividends on preference shares for the year 2015. The dividends were BYR 500 per preference share.

During the year ended 31 December 2015 the Bank declared BYR 436 million dividends on preference shares for the year 2014. The dividends were BYR 500 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 6,697 million of net profit during the 3 months ended 31 March 2016 (BYR 224,685 million for the year, ended 31 December 2015).

*(in millions of Belarusian Roubles)***17. Net interest income before loan impairment**

The net interest income before allowance for loan impairment comprises:

	3 months ended 31 March 2016	3 months ended 31 March 2015
Interest income		
Interest on loans to corporate customers	1,161,291	1,402,565
Interest on investments available for sale	150,121	24,813
Interest on loans to individuals	134,122	159,321
Interest on due from banks	6,093	9,228
Interest on investments held to maturity	660	6,239
Total interest income	1,452,287	1,602,166
Interest expense		
Interest on due to individuals	247,879	276,440
Interest on due to corporate customers	232,925	314,847
Interest on deposits from banks	101,622	168,443
Interest on debt securities issued to corporate customers	41,437	39,888
Interest on deposits from National Bank	40,154	72,773
Interest on subordinated loan	20,630	9,019
Interest on debt securities issued to individuals	1,112	1,824
Total interest expense	685,759	883,234
Contributions to deposits protection fund	27,934	43,592
Net interest income before allowance for loan impairment	738,594	675,340

18. Allowance for loan impairment, other provisions

The movements in allowance for loan impairment were as follows:

	Commercial loans	Specialized loans	Consumer and other loans	Loans to individuals Credit		Car loans	Total
				cards and overdrafts	Mortgage loans		
31 December 2014	545,371	726,810	27,959	6,900	14,482	1,842	1,323,364
Allowance charge for the period	294,777	296,994	12,220	889	6,934	1,208	613,022
Amounts written off	(115,850)	(9,828)	–	–	–	–	(125,678)
31 March 2015	724,298	1,013,976	40,179	7,789	21,416	3,050	1,810,708
31 December 2015	1,463,100	2,332,210	47,732	15,030	24,089	3,050	3,886,177
Allowance charge for the period	184,156	830,284	6,381	3,837	10,001	(716)	1,033,898
Recovery of loans previously written off	4,282	469	–	–	–	–	4,751
Amounts written off	(118,285)	(23,033)	–	–	–	–	(141,318)
31 March 2016	1,533,253	3,139,930	54,113	18,867	34,090	3,255	4,783,508

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

	Guarantees and other commitments
31 December 2014	11,202
Reversal of provision	(7,077)
31 March 2015	4,125
31 December 2015	10,625
Reversal of provision	(7,415)
31 March 2016	3,210

*(in millions of Belarusian Roubles)***19. Fee and commission income and expense**

Fee and commission income and expense comprise:

	3 months ended 31 March 2016	3 months ended 31 March 2015
Fee and commission income		
Plastic cards operations	120,675	102,445
Settlement and cash operations with clients	80,332	65,669
Salary transfer on card accounts and related cash withdrawals	69,098	71,258
Agent's fees	37,245	48,931
Documentary operations	36,277	42,988
Cash delivery and collection	26,246	23,514
Foreign exchange operations	6,255	28,682
Securities operations	5,324	3,703
Settlements with banks	145	103
Other	6,593	3,446
Total fee and commission income	388,190	390,739
Fee and commission expense		
Plastic cards operations	47,301	39,270
Documentary operations	30,752	36,616
Correspondent bank services	1,347	1,268
Cash delivery and collection	1,318	854
Foreign exchange and cash operations	970	1,682
Other	2,649	2,314
Total fee and commission expense	84,337	82,004

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

Net gain on foreign exchange operations comprises:

	3 months ended 31 March 2016	3 months ended 31 March 2015
Net (losses)/gains arising from trading in foreign currencies	(150,590)	318,906
Net foreign exchange translation losses	(137,491)	(624,001)
Net gains from operations with foreign currency derivatives	529,429	639,449
Total net gain on foreign exchange operations	241,348	334,354

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

	3 months ended 31 March 2016	3 months ended 31 March 2015
Net gains from operations with precious metals	99,153	245
Net result arising from revaluation of precious metals	(143,855)	(645,345)
Net gains from operations with precious metals derivatives	983	467,329
Total net loss from operations with precious metals	(43,719)	(177,771)

*(in millions of Belarusian Roubles)***21. Other income**

Other income comprises:

	3 months ended 31 March 2016	3 months ended 31 March 2015
Penalties received	6,299	2,114
Income from non-banking activities	5,009	5,992
Income from operating leases	4,256	235
Income from sale of coins	4,077	3,649
Dividends received	28	14
Repayment of loans previously written off	7	16,649
Other	4,789	2,625
Total other income	24,465	31,278

22. Operating expenses

Operating expenses comprise:

	3 months ended 31 March 2016	3 months ended 31 March 2015
Staff costs	101,413	151,182
Social security contribution	23,720	40,668
Other staff expenses	2,041	2,452
Personnel expenses	121,940	194,302
Operating and finance leases	57,511	45,050
Depreciation and amortization	57,041	48,881
Expenses on maintenance of banking software	45,956	18,250
Premises and equipment maintenance	24,040	49,534
Taxes, other than income taxes	23,964	92,208
Net loss on disposal of premises and equipment and intangible assets	17,400	203
Public utilities payments	15,008	9,311
Stationery	11,545	8,656
Security expenses	9,210	8,781
Communications	3,053	2,531
Vehicles maintenance and fuel expenses	2,923	3,502
Legal and consulting services	2,858	2,402
Advertising costs	2,177	8,358
Other expenses	10,818	12,734
Other operating expenses	283,504	310,401
Total operating expenses	410,678	504,703

*(in millions of Belarusian Roubles)***23. 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 3,210 million and BYR 10,625 million as at 31 March 2016 and 31 December 2015, respectively (Note 18).

As at 31 March 2016 and 31 December 2015 the nominal or contract amounts of contingent liabilities were:

	31 March 2016	31 December 2015
Contingent liabilities and credit commitments		
Commitments on loans and unused credit lines	1,438,115	1,548,801
Uncovered letters of credit	1,289,819	1,272,884
Guarantees issued and similar commitments	636,203	627,448
Letters of credit secured by cash	334,251	469,496
Total contingent liabilities and credit commitments	3,698,388	3,918,629

Operating lease commitments

Where the Group is the lessee, the future minimum lease payments under non-cancelable operating leases as at 31 March 2016 and 31 December 2015 are as follows:

	31 March 2016	31 December 2015
Not later than 1 year	119,987	122,216
Later than 1 year and not later than 5 years	367,688	351,554
Later than 5 years	282,517	278,551
Total operating lease commitments	770,192	752,321

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 March 2016 and 31 December 2015 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 Roubles)

23. 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 Belarussian 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 Roubles)***24. 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 March 2016 and 31 December 2015 with related parties:

	31 March 2016		31 December 2015	
	Related party balances	Total category as per the financial statements caption	Related party balances	Total category as per the financial statements caption
Cash and cash equivalents	383,838	3,721,030	276,106	6,158,872
- parent bank	383,650		274,912	
- entities under common control	188		1,194	
Loans to corporate customers, gross	–	27,679	14,400	108,689
- associates	–		14,400	
Loans to individuals, gross	18,223	1,702,876	18,639	1,756,520
- key management personnel	18,223		18,639	
Allowance for impairment losses	943	4,783,508	964	3,886,177
- associates	–		–	
- key management personnel	943		964	
Investments in associates	93,701	93,701	86,950	89,950
Due to banks	4,159,905	7,429,218	6,689,081	9,655,509
- parent bank	3,798,834		6,323,442	
- entities under common control	631,071		365,639	
Subordinated debt	1,480,635	1,480,635	1,015,000	1,015,000
- parent bank	1,480,635		1,015,000	
Due to individuals	121,627	18,483,134	108,530	18,223,454
- key management personnel	121,627		108,530	
Due to corporate customers	89,126	9,245,278	63,404	10,231,686
- associates	89,126		63,404	
Commitments and contingencies	15,838	3,698,388	14,099	3,918,629
- parent bank	–		–	
- associates	15,738		14,026	
- key management personnel	100		73	
Other financial assets	18,544	160,660	19,685	230,539
- parent bank	17,697		11,553	
- associates	847		8,132	
- entities under common control	–		–	
Other financial liabilities	667,245	770,775	617,608	821,418
- parent bank	11,590		9,787	
- associates	655,291		607,212	
- entities under common control	364		609	

*(in millions of Belarusian Roubles)***24. Transactions with related parties (continued)**

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

On 29 February 2016 the Group received a subordinated loan from its parent Sberbank of Russia in the amount of EUR 15 million at an interest rate of 5.98%, repayable on 1 March 2023.

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 3 months ended 31 March 2016 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.

Included in the interim condensed consolidated income statement for the 3 months ended 31 March 2016 and 3 months ended 31 March 2015 are the following amounts which arose due to transactions with related parties:

	31 March 2016		31 March 2015	
	<i>Related party transactions</i>	<i>Total category as per the financial statements caption</i>	<i>Related party transactions</i>	<i>Total category as per the financial statements caption</i>
Interest income	3,180	1,452,287	4,820	1,602,166
- parent bank	2,941		4,101	
- associates	–		417	
- key management personnel	239		302	
Fee and commission income	36,399	388,190	48,752	390,739
- parent bank	36,195		48,232	
- associates	203		519	
- key management personnel	1		1	
Interest expense	(95,281)	(685,759)	(124,883)	(883,234)
- parent bank	(93,015)		(123,809)	
- associates	(617)		(416)	
- key management personnel	(1,649)		(658)	
Allowance for loan impairment	(22)	(1,033,898)	170	(613,022)
- associates	–		(25)	
- key management personnel	(22)		195	
Fee and commission expense	(18,208)	(84,337)	(24,998)	(82,004)
- parent bank	(18,208)		(24,998)	
Staff costs	(3,867)	(101,413)	(3,642)	(151,182)
- key management personnel	(3,867)		(3,642)	

During the 3 months ended 31 March 2016 and 3 months ended 31 March 2015 remuneration of key management personnel comprised of short-term employee benefits.

(in millions of Belarusian Roubles)

25. 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 Roubles)***25. 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 March 2016/ 3 months ended 31 March 2016 Total
Interest income	134,122	1,161,291	156,874	1,452,287
Interest expense	(248,991)	(274,362)	(162,406)	(685,759)
Allowance for impairment losses on interest bearing assets	(19,458)	(1,014,440)	–	(1,033,898)
Contributions to deposits protection fund	(27,934)	–	–	(27,934)
Fee and commission income	204,512	180,559	3,119	388,190
Fee and commission expense	(47,301)	(35,689)	(1,347)	(84,337)
Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	88	(1,220)	242,480	241,348
Net losses arising from operations with precious metals and precious metals derivatives	–	–	(43,719)	(43,719)
Other provisions	–	7,415	–	7,415
Impairment of non-current asset held for sale	–	(14)	–	(14)
Other income	–	–	24,465	24,465
Operating (expense)/income	(4,962)	23,540	219,466	238,044
Income/(expense) from other segments	149,611	(396,180)	246,569	–
Total operating income/(expense)	144,649	(372,640)	466,035	238,044
Operating expenses	–	–	(410,678)	(410,678)
Share of results of an associate	–	–	6,751	6,751
Profit/(loss) before income taxes	144,649	(372,640)	62,108	(165,883)
Income tax savings	–	–	40,477	40,477
Net profit/(loss)	144,649	(372,640)	102,585	(125,406)
Segment assets	1,702,876	31,832,856	10,538,385	44,074,117
Segment liabilities	(18,494,495)	(10,758,949)	(10,417,680)	(39,671,124)
Other segment items				
- Loans to customers	1,702,876	31,832,856	–	33,535,732
- Customer accounts	(18,483,134)	(9,245,278)	–	(27,728,412)
- Debt securities issued	(11,361)	(1,513,671)	–	(1,525,032)

*(in millions of Belarusian Roubles)***25. Segment reporting (continued)**

	Retail banking	Corporate banking	Unallocated	31 March 2015/ 3 months ended 31 March 2015 Total
Interest income	159,321	1,402,565	40,280	1,602,166
Interest expense	(278,264)	(354,735)	(250,235)	(883,234)
Allowance for impairment losses on interest bearing assets	(21,251)	(591,771)	–	(613,022)
Contributions to deposits protection fund	(43,592)	–	–	(43,592)
Fee and commission income	181,895	205,451	3,393	390,739
Fee and commission expense	(39,270)	(41,466)	(1,268)	(82,004)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	1,435	86,378	246,541	334,354
Net losses arising from operations with precious metals and precious metals derivatives	–	–	(177,771)	(177,771)
Other provisions	–	7,077	–	7,077
Other income	–	–	31,278	31,278
Operating (expense)/income	(39,726)	713,499	(107,782)	565,991
Income/(expense) from other segments	159,318	(670,321)	511,003	–
Total operating income	119,592	43,178	403,221	565,991
Operating expenses	–	–	(504,703)	(504,703)
Share of results of an associate	–	–	16,669	16,669
Profit/(Loss) before income taxes	119,592	43,178	(84,813)	77,957
Income tax savings	–	–	23,053	23,053
Net profit/(loss)	119,592	43,178	(61,760)	101,010
Segment assets	1,813,209	28,060,105	12,441,100	42,314,414
Segment liabilities	(14,773,605)	(10,805,384)	(12,304,438)	(37,883,427)
Other segment items:				
Loans to customers	1,813,209	28,060,105	–	29,873,314
Customer accounts	(14,648,555)	(9,508,234)	–	(24,156,789)
Debt securities issued	(125,050)	(1,297,150)	–	(1,422,200)

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 Roubles)***26. 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 March 2016			31 December 2015		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Cash and cash equivalents	3,721,030	3,721,030	-	6,158,872	6,158,872	-
Mandatory cash balances with the National Bank of the Republic of Belarus	182,143	182,143	-	175,694	175,694	-
Due from banks	27,679	27,679	-	108,689	108,689	-
Loans to corporate customers	27,159,673	27,159,496	(177)	26,145,483	26,158,522	13,039
Loans to individuals	1,592,551	1,572,428	(20,123)	1,665,653	1,628,859	(36,794)
Investments held to maturity	10,839	11,115	276	10,614	11,741	1,127
Other financial assets	160,660	160,660	-	230,539	230,539	-
Loans from the National Bank of the Republic of Belarus	654,913	654,913	-	649,194	649,194	-
Due to banks	7,429,218	7,323,820	105,398	9,655,509	9,594,439	61,070
Due to individuals	18,483,134	18,499,312	(16,178)	18,223,454	18,183,798	39,656
Due to corporate customers	9,245,278	9,257,629	(12,351)	10,231,686	10,243,520	(11,834)
Debt securities issued	1,525,032	1,575,857	(50,825)	1,888,663	1,944,777	(56,114)
Other financial liabilities	770,775	770,775	-	821,418	821,418	-
Subordinated debt	1,480,635	1,480,635	-	1,015,000	1,015,000	-

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 Roubles)***26. 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 March 2016	Level 1	Level 2	Level 3	Total
Assets carried at fair value				
Derivative financial instruments	6,850	157	854,422	861,429
Investments available for sale	16,931	7,855,014	-	7,871,945
Office premises	-	-	800,636	800,636
Premises held for sale	-	-	12,787	12,787
Total assets carried at fair value	23,781	7,855,171	1,667,845	9,546,797
Liabilities carried at fair value				
Derivative financial instruments	12,156	-	-	12,156
Total liabilities carried at fair value	12,156	-	-	12,156

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	-	-	805,241	805,241
Premises held for sale	-	-	8,401	8,401
Total assets carried at fair value	16,371	7,179,196	3,730,496	10,926,063
Liabilities carried at fair value				
Derivative financial instruments	6,432	826	-	7,258
Total liabilities carried at fair value	6,432	826	-	7,258

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 March 2016	Level 1	Level 2	Level 3	Total
Financial assets for which fair values are disclosed				
Cash and cash equivalents	3,721,030	-	-	3,721,030
Mandatory cash balances with the National Bank of the Republic of Belarus	182,143	-	-	182,143
Due from banks	-	27,679	-	27,679
Loans to corporate customers	-	-	27,159,496	27,159,496
Loans to individuals	-	-	1,572,428	1,572,428
Investments held to maturity	-	11,115	-	11,115
Other financial assets	-	-	160,660	160,660
Total financial assets for which fair values are disclosed	3,903,173	38,794	28,892,584	32,834,551
Financial liabilities for which fair values are disclosed				
Loans from the National Bank of the Republic of Belarus	-	654,913	-	654,913
Due to banks	-	7,323,820	-	7,323,820
Due to individuals	-	-	18,499,312	18,499,312
Due to corporate customers	-	-	9,257,629	9,257,629
Debt securities issued	-	1,575,857	-	1,575,857
Subordinated debt	-	1,480,635	-	1,480,635
Other financial liabilities	-	-	770,775	770,775
Total financial liabilities for which fair values are disclosed	-	11,035,225	28,527,716	39,562,941

*(in millions of Belarusian Roubles)***26. Fair value measurement (continued)****Fixed rate financial instruments (continued)**

<i>As at 31 December 2015</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
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

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

	<i>At 1 January 2015</i>	<i>Unrealized gain recorded in profit or loss</i>	<i>Realized gain recorded in profit or loss</i>	<i>Settlements/ movements for premises</i>	<i>At 31 March 2016</i>
Financial assets					
Office premises	805,241	-	-	(4,605)	800,636
Premises held for sale	8,401	-	-	4,386	12,787
Derivative financial assets	2,916,854	85,542	481,988	(2,629,962)	854,422
Total level 3 financial assets	3,730,496	85,542	481,988	(2,630,181)	1,667,845

	<i>At 1 January 2015</i>	<i>Unrealized gain recorded in profit or loss</i>	<i>Realized gain recorded in profit or loss</i>	<i>Settlements/ movements for premises</i>	<i>At 31 December 2015</i>
Financial assets					
Office premises	769,564	-	-	35,677	805,241
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	5,337,484	825,904	1,908,760	(4,341,652)	3,730,496

*(in millions of Belarusian Roubles)***26. 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 March 2016		31 December 2015	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
Financial assets				
Derivative financial instruments	854,422	(3,300)	2,916,854	(13,327)
- foreign currency derivatives	854,422	(3,300)	2,916,854	(13,327)
- precious metals derivatives	-	-	-	-
Financial liabilities				
Derivative financial liabilities	-	-	-	-
- foreign currency derivatives	-	-	-	-

The input used for estimation of fair values of foreign currency derivatives for 31 March 2016 was the yield to maturity of the Belarusian Eurobonds in USD with maturity date in January, 2018, amounting to 6.31% (31 December 2015: 7.13%).

The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at the reporting date - 23.0% (31 December 2015: 27.5%). Should the input rate for Belarusian roubles decrease for 1000 base points the carrying value of the foreign currency derivatives would be 0.4% lower (31 December 2015: 0.5% lower).

27. Capital management

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

The capital structure of the Group is comprised of share capital, reserves and retained earnings as disclosed in the interim condensed consolidated statement of changes in equity 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's own regulatory funds with quantified assessment of the risks it undertakes (risk-weighted assets). The Bank's Management considers weighted average cost of capital and risks associated with each class of capital, and 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 Roubles)***27. 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 March 2016 and 31 December 2015, comprised:

	31 March 2016	31 December 2015
Tier 1 capital		
Share capital	3,217,563	3,217,563
Share premium	5,763	5,763
Retained earnings	899,927	1,021,421
Total Tier 1 capital	4,123,253	4,244,747
Tier 2 capital		
Revaluation reserve for office premises	262,785	267,283
Fair value reserve for investment securities available-for-sale	16,955	16,710
Applied subordinated loan	1,480,635	1,015,000
Total Tier 2 capital	1,760,375	1,298,993
Total capital	5,883,628	5,543,740
Total risk weighted assets (RWA)	36,435,401	37,955,344
Core capital adequacy ratio (total Tier 1 capital / total RWA), %	11.3	11.2
Total capital adequacy ratio (total capital / total RWA), %	16.1	14.6

As at 31 March 2016 and 31 December 2015 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 12.9% and 12.4%, respectively and increases norms established by the National Bank of the Republic of Belarus the capital adequacy ratio 10.0%.

28. 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 Roubles)

28. 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 Roubles)***28. 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 March 2016	AA	A	BBB	BB	B	CCC	Not rated	Total
Cash equivalents	4,075	209,544	90,967	386,324	1,538,114	1,406	220,885	2,451,315
Mandatory cash balances with the National Bank	-	-	-	-	182,143	-	-	182,143
Due from banks	-	-	-	-	-	27,679	-	27,679
Derivative financial assets	-	-	837	5,855	854,521	-	216	861,429
Loans to corporate customers	-	-	-	-	-	-	27,159,673	27,159,673
Loans to individuals	-	-	-	-	-	-	1,592,551	1,592,551
Investments available for sale	-	16,931	-	-	7,827,597	-	27,417	7,871,945
Investments held to maturity	-	-	-	-	-	-	10,839	10,839
Other financial assets	-	-	-	-	-	-	160,660	160,660

31 December 2015	AA	A	BBB	BB	B	CCC	Not rated	Total
Cash equivalents	3,907	1,197,678	626,133	277,901	2,423,877	1,155	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	-	-	167	309	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

As at 31 March 2016 and 31 December 2015 other financial assets comprised past due but not impaired assets in the amount of 28,559 BYR million and 17,937 BYR million, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 6.

As at 31 March 2016 and 31 December 2015 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 Roubles)***28. Risk management policies (continued)****Geographical concentration (continued)**

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

31 March 2016	Belarus	CIS Countries	OECD Countries	Non-OECD countries	Total
Financial assets					
Cash and cash equivalents	3,007,534	399,772	291,138	22,586	3,721,030
Mandatory cash balances with the National Bank	182,143	-	-	-	182,143
Due from banks	27,679	-	-	-	27,679
Derivative financial assets	854,736	6,693	-	-	861,429
Loans to corporate customers	27,159,673	-	-	-	27,159,673
Loans to individuals	1,592,551	-	-	-	1,592,551
Investments available for sale	7,855,014	-	16,931	-	7,871,945
Investments held to maturity	10,839	-	-	-	10,839
Other financial assets	160,660	-	-	-	160,660
Total financial assets	40,850,829	406,465	308,069	22,586	41,587,949
Financial liabilities					
Loans from the National Bank	654,913	-	-	-	654,913
Due to banks	544,147	3,982,536	2,901,688	847	7,429,218
Derivative financial liabilities	136	11,812	208	-	12,156
Due to individuals	17,612,336	624,200	85,390	161,208	18,483,134
Due to corporate customers	8,783,626	10,162	101,980	349,510	9,245,278
Debt securities issued	1,525,032	-	-	-	1,525,032
Other financial liabilities	770,775	-	-	-	770,775
Subordinated debt	-	1,480,635	-	-	1,480,635
Total financial liabilities	29,890,965	6,109,345	3,089,266	511,565	39,601,141
Net position	10,959,864	(5,702,880)	(2,781,197)	(488,979)	
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)	

*(in millions of Belarusian Roubles)***28. 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 following table presents the analysis of the liquidity risk based on the carrying values of assets and liabilities.

31 March 2016	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	3,721,030	-	-	-	-	-	-	3,721,030
Mandatory cash balances with the National Bank	43,923	66,860	23,850	46,649	861	-	-	182,143
Due from banks	1,186	4,630	6,542	14,366	955	-	-	27,679
Derivative financial assets	7,007	854,422	-	-	-	-	-	861,429
Loans to corporate customers	1,871,607	7,087,104	3,243,421	7,798,282	5,459,918	1,699,341	-	27,159,673
Loans to individuals	66,759	142,741	233,248	492,231	637,951	19,621	-	1,592,551
Non-current asset held for sale	-	-	184,924	-	-	-	-	184,924
Investments available for sale	2,028,985	2,415,987	603,990	503,325	2,286,424	-	33,234	7,871,945
Investments held to maturity	225	-	-	-	10,614	-	-	10,839
Investments in an associate	-	-	-	-	-	-	93,701	93,701
Premises and equipment	-	-	-	-	-	-	1,456,009	1,456,009
Intangible assets	-	-	-	-	-	-	374,762	374,762
Current income tax assets	131	-	-	-	-	-	-	131
Deferred income tax assets	-	-	-	-	-	-	68,519	68,519
Other assets	251,588	6,885	34	119,342	1,277	28,559	61,097	468,782
Total assets	7,992,441	10,578,629	4,296,009	8,974,195	8,398,000	1,747,521	2,087,322	44,074,117
Liabilities								
Loans from the National Bank	324,218	330,516	179	-	-	-	-	654,913
Due to banks	1,735,891	1,599,682	1,128,835	2,439,540	525,270	-	-	7,429,218
Derivative financial liabilities	12,156	-	-	-	-	-	-	12,156
Due to individuals	2,596,221	9,055,383	2,758,222	4,053,764	19,544	-	-	18,483,134
Due to corporate customers	4,090,440	1,122,867	872,601	3,047,783	111,587	-	-	9,245,278
Debt securities issued	22,684	3,912	-	185,401	1,313,035	-	-	1,525,032
Provisions for guarantees and other commitments	-	470	-	2,740	-	-	-	3,210
Other liabilities	163,631	30,728	20,286	92,723	529,814	-	366	837,548
Subordinated debt	-	-	-	-	1,480,635	-	-	1,480,635
Total liabilities	8,945,241	12,143,558	4,780,123	9,821,951	3,979,885	-	366	39,671,124
Net liquidity surplus/(gap)	(952,800)	(1,564,929)	(484,114)	(847,756)	4,418,115	1,747,521	2,086,956	4,402,993
Cumulative liquidity gap as at 31 March 2016	(952,800)	(2,517,729)	(3,001,843)	(3,849,599)	568,516	2,316,037	4,402,993	

*(in millions of Belarusian Roubles)***28. Risk management policies (continued)****Liquidity risk (continued)**

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 Roubles)***28. 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 March 2016 and 31 December 2015 are estimated in the amount of BYR 2,823,769 million and BYR 3,427,306 million, respectively. As at 31 March 2016 and 31 December 2015 included in 'Due to banks' were short-term non-tied loans attracted from parent bank in the amount of BYR 1,439,969 million and BYR 4,223,923 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 March 2016 and 31 December 2015 is as follows:

31 March 2016	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>More than 3 years</i>	<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
Accounts of individuals analyzed based on expected withdrawal dates	1,443,342	9,055,383	2,758,222	4,053,764	19,544	-	1,152,879	18,483,134
Corporate accounts analyzed based on expected withdrawal dates	2,419,550	1,122,867	872,601	3,047,783	111,587	-	1,670,890	9,245,278
Funds attracted from other banks analyzed	798,157	985,720	1,151,181	2,528,921	525,270	-	1,439,969	7,429,218
Liquidity gap (based on expected withdrawal dates for customers' accounts)	<u>2,808,703</u>	<u>(950,967)</u>	<u>(506,460)</u>	<u>(937,137)</u>	<u>4,418,115</u>	<u>1,747,521</u>	<u>(2,176,782)</u>	
31 December 2015	<i>Demand and less than 1 month</i>	<i>From 1 to 6 months</i>	<i>From 6 to 12 months</i>	<i>From 1 to 3 years</i>	<i>More than 3 years</i>	<i>Overdue</i>	<i>No stated maturity</i>	<i>Total</i>
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)	<u>3,560,694</u>	<u>1,229,957</u>	<u>(1,904,198)</u>	<u>1,256,307</u>	<u>4,685,034</u>	<u>1,293,117</u>	<u>(5,592,171)</u>	

As at 31 March 2016 covenants with EBRD were violated in the Group. Liabilities in the amount of BYR 306,402 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 Roubles)

28. 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 March 2016 and 31 December 2015, 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 Roubles)***28. Risk management policies (continued)****Interest rate risk (continued)**

Impact on profit before taxes:

	<i>As at 31 March 2016</i>		<i>As at 31 December 2015</i>	
	<i>Interest rate +10%</i>	<i>Interest rate -10%</i>	<i>Interest rate +10%</i>	<i>Interest rate -10%</i>
BYR				
Impact on profit before taxes				
Assets				
Due from banks	3,516	(3,516)	4,495	(4,495)
Loans to customers	658,024	(658,024)	665,948	(665,948)
Investments available for sale	62,820	(62,820)	62,251	(62,251)
Investments held to maturity	1,083	(1,083)	1,061	(1,061)
Liabilities				
Loans from the National Bank	(64,919)	64,919	(64,919)	64,919
Due to banks	(9,637)	9,637	(1,178)	1,178
Customer accounts	(429,870)	429,870	(454,550)	454,550
Debt securities issued	(10,151)	10,151	(24,011)	24,011
Net impact on profit before taxes	210,866	(210,866)	189,097	(189,097)
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	210,866	(210,866)	189,097	(189,097)

	<i>As at 31 March 2016</i>		<i>As at 31 December 2015</i>	
	<i>Interest rate +5%</i>	<i>Interest rate -5%</i>	<i>Interest rate +5%</i>	<i>Interest rate -5%</i>
USD				
Impact on profit before taxes				
Assets				
Due from banks	-	-	3,025	(3,025)
Loans to customers	482,263	(482,263)	477,925	(477,925)
Investments available for sale	34,331	(34,331)	10,977	(10,977)
Investments held to maturity	-	-	-	-
Liabilities				
Due to banks	(31,484)	31,484	(35,422)	35,422
Customer accounts	(411,082)	411,082	(400,273)	400,273
Debt securities issued	(394)	394	(5,498)	5,498
Net impact on profit before taxes	73,634	(73,634)	50,734	(50,734)
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	(19,462)	19,462	(25,035)	25,035
Net impact on comprehensive income	54,172	(54,172)	25,699	(25,699)

*(in millions of Belarusian Roubles)***28. Risk management policies (continued)****Interest rate risk (continued)**

EUR	As at 31 March 2016		As at 31 December 2015	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
Impact on profit before taxes				
Assets				
Loans to customers	366,004	(366,004)	352,557	(352,557)
Investments available for sale	232,405	(232,405)	152,249	(152,249)
Liabilities				
Due to banks	(171,081)	171,081	(237,793)	237,793
Customer accounts	(117,223)	117,223	(109,566)	109,566
Debt securities issued	(201)	201	(1,516)	1,516
Net impact on profit before taxes	309,904	(309,904)	155,931	(155,931)
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	29,992	(29,992)	(18,571)	18,571
Net impact on comprehensive income	339,896	(339,896)	137,360	(137,360)

RUB	As at 31 March 2016		As at 31 December 2015	
	Interest rate +7%	Interest rate -7%	Interest rate +7%	Interest rate -7%
Impact on profit before taxes				
Assets				
Loans to customers	91,275	(91,275)	78,656	(78,656)
Investments available for sale	563	(563)	476	(476)
Liabilities				
Due to banks	(58,748)	58,748	(6,490)	6,490
Customer accounts	(59,603)	59,603	(36,970)	36,970
Debt securities issued	(21)	21	(6,234)	6,234
Net impact on profit before taxes	(26,534)	26,534	29,438	(29,438)
Impact on comprehensive income (excluding profit for the year)				
Investments available for sale	-	-	-	-
Net impact on comprehensive income	(26,534)	26,534	29,438	(29,438)

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 Roubles)***28. Risk management policies (continued)****Currency risk (continued)**

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

31 March 2016	BYR	USD 1 USD = BYR 20,133	EUR 1 EUR = BYR 22,779	RUB 1 RUB = BYR 297.49	Precious metals	Other currencies	Total
Financial assets							
Cash and cash equivalents	1,928,718	951,715	332,333	304,747	180,681	22,836	3,721,030
Mandatory cash balances with the National Bank of the Republic of Belarus	182,143	-	-	-	-	-	182,143
Due from banks	27,679	-	-	-	-	-	27,679
Derivative financial assets	861,429	-	-	-	-	-	861,429
Loans to corporate customers	5,905,323	11,333,086	7,951,510	1,957,616	-	12,138	27,159,673
Loans to individuals	1,511,545	80,052	954	-	-	-	1,592,551
Investments available for sale	645,499	1,960,799	5,257,594	8,053	-	-	7,871,945
Investments held to maturity	10,839	-	-	-	-	-	10,839
Other financial assets	104,548	14,351	29,233	12,120	-	408	160,660
Total financial assets	11,177,723	14,340,003	13,571,624	2,282,536	180,681	35,382	41,587,949
Financial liabilities							
Loans from the National Bank	649,194	-	-	-	-	5,719	654,913
Due to banks	96,638	1,415,148	4,940,650	968,201	-	8,581	7,429,218
Derivative financial liabilities	12,156	-	-	-	-	-	12,156
Due to individuals	1,759,955	12,811,788	3,158,531	194,710	558,149	1	18,483,134
Due to corporate customers	3,546,399	3,136,294	1,590,643	842,053	112,543	17,346	9,245,278
Debt securities issued	102,578	974,040	382,614	65,800	-	-	1,525,032
Other financial liabilities	64,469	590,078	23,883	92,248	-	97	770,775
Subordinated debt	-	-	1,480,635	-	-	-	1,480,635
Total financial liabilities	6,231,389	18,927,348	11,576,956	2,163,012	670,692	31,744	39,601,141
Currency position	4,946,334	(4,587,345)	1,994,668	119,524	(490,011)	3,638	

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 March 2016	BYR	USD 1 USD = BYR 20,133	EUR 1 EUR = BYR 22,779	RUB 1 RUB = BYR 297.49	Precious metals	Other currencies	Total
Claims on derivative financial instruments	1,394	4,561,679	321,503	165,475	518,517	-	5,568,568
Obligations on derivative financial instruments	(348,225)	(824,790)	(3,008,215)	(527,613)	-	-	(4,708,843)
Net derivative financial instruments	(346,831)	3,736,889	(2,686,712)	(362,138)	518,517	-	859,725
Total currency position less fair value of derivative	3,750,230	(850,456)	(692,044)	(242,614)	28,506	3,638	

*(in millions of Belarusian Roubles)***28. 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	

*(in millions of Belarusian Roubles)***28. 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 March 2016 and 31 December 2015. 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 March 2016		As at 31 December 2015	
	BYR/USD	BYR/USD	BYR/USD	BYR/USD
	+60%	-15%	+60%	-15%
Impact on profit or loss	(510,274)	127,568	(608,041)	152,010
Impact on comprehensive income	(510,274)	127,568	(608,041)	152,010

	As at 31 March 2016		As at 31 December 2015	
	BYR/EUR	BYR/EUR	BYR/EUR	BYR/EUR
	+60%	-30%	+60%	-30%
Impact on profit or loss	(415,226)	207,613	(212,492)	106,246
Impact on comprehensive income	(415,226)	207,613	(212,492)	106,246

	As at 31 March 2016		As at 31 December 2015	
	BYR/RUB	BYR/RUB	BYR/RUB	BYR/RUB
	+37%	-30%	+37%	-30%
Impact on profit or loss	(89,767)	72,784	(99,454)	80,639
Impact on comprehensive income	(89,767)	72,784	(99,454)	80,639

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.

(in millions of Belarusian Roubles)

29. Subsequent events

On 1st April, 2016, the National Bank has reduced refinancing rate to 24%, and on 1st May, 2016, the regulator has further reduced the refinancing rate to 22%.