

BPS-Sberbank

**Interim Condensed  
Consolidated financial statements**

*For the 6 months ended 30 June 2016*

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**Interim condensed consolidated statement of financial position****As of 30 June 2016***(in millions of Belarusian Roubles)*

	<b>Notes</b>	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Assets</b>			
Cash and cash equivalents	3	5,604,143	6,158,872
Mandatory cash balances with the National Bank of the Republic of Belarus		170,155	175,694
Due from banks	4	24,177	108,689
Derivative financial assets	5	42,252	2,917,665
Loans to corporate customers	6	26,233,854	26,145,483
Loans to individuals	6	1,567,155	1,665,653
Non-current assets held for sale	7	205,998	196,531
Investments available for sale	8	5,819,707	7,194,756
Investments held to maturity	9	10,614	10,614
Investments in associates		85,826	86,950
Premises and equipment	10	1,469,312	1,496,391
Intangible assets	10	408,225	368,168
Current income tax assets		–	36,068
Other financial assets	11	301,759	230,539
Other non-financial assets	11	332,098	281,441
Deferred income tax assets		28,528	20,915
<b>Total assets</b>		<b>42,303,803</b>	<b>47,094,429</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Loans from the National bank of the Republic of Belarus		331,023	649,194
Due to banks	12	6,524,292	9,655,509
Derivative financial liabilities	5	13,061	7,258
Due to individuals	13	17,556,101	18,223,454
Due to corporate customers	13	9,518,119	10,231,686
Debt securities issued	14	1,390,779	1,888,663
Current income tax liabilities		1,472	
Provisions for guarantees and other commitments	18	3,795	10,625
Other financial liabilities	15	845,493	821,418
Other non-financial liabilities	15	56,923	62,882
Subordinated debt		1,443,650	1,015,000
<b>Total liabilities</b>		<b>37,684,708</b>	<b>42,565,689</b>
<b>Equity</b>			
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		258,439	267,283
Investments available for sale fair value deficit		16,745	16,710
Retained earnings		1,120,585	1,021,421
<b>Total equity attributable to shareholders of the Bank</b>		<b>4,619,095</b>	<b>4,528,740</b>
Non-controlling interest		–	–
<b>Total equity</b>		<b>4,619,095</b>	<b>4,528,740</b>
<b>Total liabilities and equity</b>		<b>42,303,803</b>	<b>47,094,429</b>

**Signed and authorized for release on behalf of the Management Board**


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 Vice-Chairman of the Board  
Liliya M. Astapovich

 26 August 2016  
Minsk

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 Chief Accountant  
Nina N. Ilyukevich

 26 August 2016  
Minsk

**Interim condensed Consolidated income statement**  
**For the 6 months ended 30 June 2016**  
*(in millions of Belarusian Roubles)*

	Notes	3 months ended 30 June 2016	3 months ended 30 June 2015	6 months ended 30 June 2016	6 months ended 30 June 2015
Interest income	17	1,538,121	1,500,929	2,990,408	3,103,095
Interest expense	17	(563,880)	(811,147)	(1,249,639)	(1,694,381)
Contributions to deposits protection fund	17	(25,444)	(46,174)	(53,378)	(89,766)
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	17	<b>948,797</b>	<b>643,608</b>	<b>1,687,391</b>	<b>1,318,948</b>
Allowance for impairment losses on interest bearing assets	18	(728,447)	(500,466)	(1,762,345)	(1,113,488)
<b>Net interest income/(expense)</b>		<b>220,350</b>	<b>143,142</b>	<b>(74,954)</b>	<b>205,460</b>
Fee and commission income	19	447,899	419,902	836,089	810,641
Fee and commission expense	19	(99,340)	(95,156)	(183,677)	(177,160)
Net (losses)/gains arising from investment securities available for sale		(427)	39	(427)	39
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange unrealised losses	20	109,584	267,055	350,932	601,409
Net gains/(losses) losses arising from operations with precious metals and precious metals derivatives	20	6,971	(30,501)	(36,748)	(208,272)
Reversal of impairment of non-current assets held for sale		552	–	538	–
(Other provisions)/reversal of other provisions	18	(585)	3,622	6,830	10,699
Other income	21	53,124	68,020	58,338	99,298
<b>Net non-interest income</b>		<b>517,778</b>	<b>632,981</b>	<b>1,031,875</b>	<b>1,136,654</b>
<b>Operating income</b>		<b>738,128</b>	<b>776,123</b>	<b>956,921</b>	<b>1,342,114</b>
<b>Operating expenses</b>	22	<b>(484,737)</b>	<b>(675,859)</b>	<b>(876,164)</b>	<b>(1,180,562)</b>
Share of results of an associate		6,388	3,480	13,139	20,149
<b>Profit before income taxes</b>		<b>259,779</b>	<b>103,744</b>	<b>93,896</b>	<b>181,701</b>
Income tax expenses		(43,467)	(37,605)	(2,990)	(14,552)
<b>Net profit</b>		<b>216,312</b>	<b>66,139</b>	<b>90,906</b>	<b>167,149</b>
Attributable to:					
Shareholders of the parent Bank		216,312	66,009	90,906	167,035
Non-controlling interest		–	130	–	114
<b>Net profit</b>		<b>216,312</b>	<b>66,139</b>	<b>90,906</b>	<b>167,149</b>

Signed and authorized for release on behalf of the Management Board

\_\_\_\_\_  
Vice-Chairman of the Board  
Liliya M.Astapovich

26 August 2016  
Minsk

\_\_\_\_\_  
Chief Accountant  
Nina N. Ilyukevich

26 August 2016  
Minsk

**Interim condensed consolidated statement of comprehensive income****For the 6 months ended 30 June 2016***(in millions of Belarusian Roubles)*

	3 months ended	3 months ended	6 months ended	6 months ended
Notes	30 June 2016	30 June 2015	30 June 2016	30 June 2015
<b>Net profit</b>	<b>216,312</b>	<b>66,139</b>	<b>90,906</b>	<b>167,149</b>
<b>Other comprehensive income</b>				
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>				
Net change in fair value of investments available for sale	(637)	2,013	(392)	2,837
Reclassification adjustments for losses/(gains) included in profit or loss from comprehensive income on disposal of investments available for sale	427	(39)	427	(39)
<b>Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods</b>	<b>(210)</b>	<b>1,974</b>	<b>35</b>	<b>2,798</b>
<b>Other comprehensive income not being reclassified to profit or loss in subsequent periods:</b>				
Net change in fair value remeasurement of assets held for sale	–	–	(150)	–
<b>Net other comprehensive loss not being reclassified to profit or loss in subsequent periods</b>	<b>–</b>	<b>–</b>	<b>(150)</b>	<b>–</b>
<b>Other comprehensive (loss)/income</b>	<b>(210)</b>	<b>1,974</b>	<b>(115)</b>	<b>2,798</b>
<b>Total comprehensive income</b>	<b>216,102</b>	<b>68,113</b>	<b>90,791</b>	<b>169,947</b>
Attributable to:				
Shareholders of the parent	216,102	67,983	90,791	169,833
Minority interest	–	130	–	114
<b>Total comprehensive income</b>	<b>216,102</b>	<b>68,113</b>	<b>90,791</b>	<b>169,947</b>

**Interim condensed consolidated statement of changes in equity****For the 6 months ended 30 June 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
<b>31 December 2014</b>		<b>3,217,563</b>	<b>5,763</b>	<b>284,923</b>	<b>7,547</b>	<b>813,564</b>	<b>4,329,360</b>	<b>229</b>	<b>4,329,589</b>
Gain for the period		-	-	-	-	167,035	167,035	114	167,149
Other comprehensive income for the period		-	-	-	2,798	-	2,798	-	2,798
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,798</b>	<b>167,035</b>	<b>169,833</b>	<b>114</b>	<b>169,947</b>
Amortisation of revaluation reserve for premises, net of tax		-	-	(8,811)	-	8,811	-	-	-
Dividends	16	-	-	-	-	(436)	(436)	-	(436)
<b>30 June 2015</b>		<b>3,217,563</b>	<b>5,763</b>	<b>276,112</b>	<b>10,345</b>	<b>988,974</b>	<b>4,498,757</b>	<b>343</b>	<b>4,499,100</b>
<b>31 December 2015</b>		<b>3,217,563</b>	<b>5,763</b>	<b>267,283</b>	<b>16,710</b>	<b>1,021,421</b>	<b>4,528,740</b>	<b>-</b>	<b>4,528,740</b>
Gain for the period		-	-	-	-	90,906	90,906	-	90,906
Other comprehensive loss for the period		-	-	(150)	35	-	(115)	-	(115)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(150)</b>	<b>35</b>	<b>90,906</b>	<b>90,791</b>	<b>-</b>	<b>90,791</b>
Amortisation of revaluation reserve for premises, net of tax		-	-	(8,694)	-	8,694	-	-	-
Dividends	16	-	-	-	-	(436)	(436)	-	(436)
<b>30 June 2016</b>		<b>3,217,563</b>	<b>5,763</b>	<b>258,439</b>	<b>16,745</b>	<b>1,120,585</b>	<b>4,619,095</b>	<b>-</b>	<b>4,619,095</b>

**Interim condensed consolidated statement of cash flows****For the 6 months ended 30 June 2016***(in millions of Belarusian Roubles)*

	<i>Notes</i>	<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2016</b>
<b>Cash flows from operating activities</b>			
Interest income		2,417,093	2,668,528
Interest expense		(1,310,967)	(1,596,519)
Fee and commission income		842,700	810,641
Fee and commission expense		(182,454)	(177,160)
Net (loss)/gain on foreign exchange operations		(130,873)	443,355
Net gain on derivative financial instruments		3,445,373	301,263
Net (loss)/gain on disposal of investments available for sale		(427)	39
Net gain/(loss) on precious metals		123,402	(2,723)
Other income		52,217	99,158
Operating expenses		(825,395)	(1,092,030)
Income taxes received/(paid)		26,937	(67,621)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>4,457,606</b>	<b>1,386,931</b>
<b>Changes in operating assets and liabilities</b>			
<i>(Increase)/decrease in operating assets:</i>			
Minimum reserve deposit with the National Bank of the Republic of Belarus		5,539	44,977
Due from banks		86,938	(200,130)
Loans to corporate customers		2,415,337	2,337,076
Loans to individuals		82,177	177,405
Other assets		(17,106)	167,921
<i>Increase/(decrease) in operating liabilities:</i>			
Loans from the National Bank of the Republic of Belarus		(317,706)	(800,000)
Due to banks		(5,423,604)	(4,580,057)
Due to individuals		(2,202,723)	956,810
Due to corporate customers		(1,389,901)	(1,451,187)
Debt securities issued		(660,865)	34,901
Other liabilities		(16,093)	(165,799)
<b>Net cash outflow from operating activities</b>		<b>(2,980,401)</b>	<b>(2,091,152)</b>

**Interim condensed consolidated statement of cash flows****For the 6 months ended 30 June 2016***(in millions of Belarusian Roubles)*

	<i>Notes</i>	<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2015</b>
<b>Cash flows from investing activities</b>			
Purchase of premises, equipment and intangible assets		(182,742)	(163,162)
Proceeds on sale of premises and equipment		4,496	143,054
Disposals of HFS assets		30,802	–
Proceeds on repayment of investments available for sale		1,965,982	–
Dividends received		9,783	4,843
<b>Net cash inflow/(outflow) from investing activities</b>		<b>1,828,321</b>	<b>(15,265)</b>
<b>Cash flows from financing activities</b>			
Subordinated debt		354,750	–
Dividends		(436)	(436)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>354,314</b>	<b>(436)</b>
Effect of changes in foreign exchange rates on cash and cash equivalents		243,037	355,247
Net increase in cash and cash equivalents		<b>(797,766)</b>	<b>(2,106,853)</b>
<b>Cash and cash equivalents, beginning of the period</b>	3	<b>6,158,872</b>	<b>5,666,401</b>
<b>Cash and cash equivalents, end of the period</b>	3	<b>5,604,143</b>	<b>3,914,795</b>



*(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 30 June 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:

<b>Name</b>	<b>Country of operation</b>	<b>Proportion of ownership interest / voting rights, %</b>		<b>Type of operation</b>
		<b>30 June 2016</b>	<b>31 December 2015</b>	
<b>Subsidiaries</b>				
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
<b>Associates</b>				
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 6 months, ended 30 June 2016, and 6 months, ended 30 June 2015 was 3,876 and 4,230 persons, respectively.

As at 30 June 2016 and 30 December 2015 the following shareholders owned the issued shares of the Bank:

<b>Shareholder</b>	<b>30 June 2016, %</b>	<b>31 December 2015, %</b>
Sberbank	98.43	98.43
Other	1.57	1.57
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

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 26 August 2016.

*(in millions of Belarusian Roubles)*

## 2. Basis of presentation

### Accounting basis

These interim condensed consolidated financial statements of the Group for 6 months ended 30 June 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>30 June 2016</u>	<u>31 December 2015</u>
BYR/USD	20,053.00	18,569.00
BYR/EUR	22,210.00	20,300.00
BYR/RUB	312.12	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**

	<b>30 June 2016</b>	<b>31 December 2015</b>
Current accounts with the National Bank	3,962,789	2,412,387
Cash	920,340	1,561,848
<b>Correspondent accounts and placements with other banks:</b>		
- Belarus	45,399	12,724
- Other countries	609,451	2,127,914
Settlements with non-bank financial institutions	66,164	43,999
<b>Total cash and cash equivalents</b>	<b>5,604,143</b>	<b>6,158,872</b>

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 30 June 2016 amounted BYR 539,160 million or 88.4% 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 30 June 2016 made on the basis of ratings of international rating agencies is as follows:

	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
<b>Correspondent accounts and placements with other banks:</b>				
- Belarus	–	44,190	1,209	45,399
- Other countries	395,023	214,168	260	609,451
<b>Total</b>	<b>395,023</b>	<b>258,358</b>	<b>1,469</b>	<b>654,850</b>

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:

	<b>Investment rating</b>	<b>Speculative rating</b>	<b>Not rated</b>	<b>Total</b>
<b>Correspondent accounts and placements with other banks:</b>				
- Belarus	–	12,645	79	12,724
- Other countries	1,827,718	277,901	22,295	2,127,914
<b>Total</b>	<b>1,827,718</b>	<b>290,546</b>	<b>22,374</b>	<b>2,140,638</b>

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

As at 30 June 2016 and 31 December 2015 all cash and cash equivalents are neither past due nor impaired.

**4. Due from banks**

Due from banks comprise:

	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Time deposits and loans to banks:</b>		
- Belarus	24,177	94,289
- Other countries	–	14,400
<b>Total due from banks</b>	<b>24,177</b>	<b>108,689</b>

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 30 June 2016 made on the basis of ratings of international rating agencies is as follows:

	<i>Investment rating</i>	<i>Speculative rating</i>	<i>Total</i>
<b>Time deposits and loans to banks:</b>			
- Belarus	–	24,177	24,177
- Other countries	–	–	–
<b>Total</b>	<u>–</u>	<u>24,177</u>	<u>24,177</u>

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:

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

As at 30 June 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 24,177 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 30 June 2016 and 31 December 2015 derivative financial instruments comprise:

<i>Derivative type</i>	<i>Nominal amount (in units of currency to be purchased)</i>	<i>Fair value as at 30 June 2016</i>	
		<i>Asset</i>	<i>Liability</i>
XAU/USD precious metals forward	XAU 746,484	24,454	–
USD/EUR foreign currency forward	USD 46,783,852	15,303	–
XAG/USD precious metals forward	XAG 3,950,145	2,404	–
RUB/USD foreign currency forward	RUB 38,688,000	43	–
BYR/USD foreign currency forward	BYR 8,000,000,000	36	–
RUB/EUR foreign currency swap	RUB 7,000,000	12	–
PLN/USD foreign currency forward	PLN 300,000	–	2
EUR/USD foreign currency forward	EUR 2,300,000	–	233
USD/RUB foreign currency forward	USD 45,000,000	–	12,826
<b>Total derivative financial instruments</b>		<u>42,252</u>	<u>13,061</u>

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

<i>Derivative type</i>	<i>Nominal amount (in units of currency to be purchased)</i>	<i>Fair value as at 31 December 2015</i>	
		<i>Asset</i>	<i>Liability</i>
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
<b>Total derivative financial instruments</b>		<b>2,917,665</b>	<b>7,258</b>

As at 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 25<sup>th</sup> 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 30 June 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.

<b>30 June 2016</b>	<b>Not past due loans</b>	<b>Past due loans</b>	<b>Total</b>
Commercial loans to legal entities	11,278,456	3,608,275	<b>14,886,731</b>
Specialized loans to legal entities	10,551,568	6,110,259	<b>16,661,827</b>
Consumer and other loans to individuals	636,864	64,651	<b>701,515</b>
Credit cards and overdrafts	295,894	21,250	<b>317,144</b>
Mortgage loans to individuals	551,486	40,673	<b>592,159</b>
Car loans to individuals	62,552	5,089	<b>67,641</b>
<b>Total loans to customers before allowance for loan impairment</b>	<b>23,376,820</b>	<b>9,850,197</b>	<b>33,227,017</b>
Less: allowance for loan impairment	(1,541,920)	(3,884,088)	<b>(5,426,008)</b>
<b>Total loans to customers net of allowance for loan impairment</b>	<b>21,834,900</b>	<b>5,966,109</b>	<b>27,801,009</b>

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

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 30 June 2016:

	<b>Gross loans</b>	<b>Allowance for loan impairment</b>	<b>Net loans</b>	<b>Allowance for loan impairment to gross loans</b>
<b>Commercial loans to legal entities</b>				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
Not past due	9,720,236	(182,924)	9,537,312	1.9%
Loans up to 30 days overdue	4,572	(36)	4,536	0.8%
Loans 31 to 60 days overdue	63,174	(1,558)	61,616	2.5%
Loans 61 to 90 days overdue	454,050	(7,419)	446,631	1.6%
Loans 91 up to 180 days overdue	355,975	(9,004)	346,971	2.5%
Loans over 180 days overdue	529,934	(131,627)	398,307	24.8%
<b>Total collectively assessed loans</b>	<b>11,127,941</b>	<b>(332,568)</b>	<b>10,795,373</b>	<b>3.0%</b>
<b>Individually impaired</b>				
Not past due	1,558,220	(119,929)	1,438,291	7.7%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	111,813	(27,938)	83,875	25.0%
Loans 61 to 90 days overdue	46,213	(13,498)	32,715	29.2%
Loans 91 up to 180 days overdue	181,738	(33,466)	148,272	18.4%
Loans over 180 days overdue	1,860,806	(1,193,264)	667,542	64.1%
<b>Total individually impaired loans</b>	<b>3,758,790</b>	<b>(1,388,095)</b>	<b>2,370,695</b>	<b>36.9%</b>
<b>Total commercial loans to legal entities</b>	<b>14,886,731</b>	<b>(1,720,663)</b>	<b>13,166,068</b>	<b>11.6%</b>
<b>Specialized loans to legal entities</b>				
<i>Individually assessed but not impaired and collectively assessed loans</i>				
Not past due	8,023,639	(726,904)	7,296,735	9.1%
Loans up to 30 days overdue	16,156	(2,711)	13,445	16.8%
Loans 31 to 60 days overdue	56,973	(10,351)	46,622	18.2%
Loans 61 to 90 days overdue	397,369	(57,115)	340,254	14.4%
Loans 91 up to 180 days overdue	138,866	(15,972)	122,894	11.5%
Loans over 180 days overdue	226,289	(88,891)	137,398	39.3%
<b>Total collectively assessed loans</b>	<b>8,859,292</b>	<b>(901,944)</b>	<b>7,957,348</b>	<b>10.2%</b>
<b>Individually impaired</b>				
Not past due	2,527,929	(486,028)	2,041,901	19.2%
Loans up to 30 days overdue	–	–	–	–
Loans 31 to 60 days overdue	6,706	(1,012)	5,694	15.1%
Loans 61 to 90 days overdue	414,950	(152,247)	262,703	36.7%
Loans 91 up to 180 days overdue	1,899,747	(748,018)	1,151,729	39.4%
Loans over 180 days overdue	2,953,203	(1,304,792)	1,648,411	44.2%
<b>Total individually impaired loans</b>	<b>7,802,535</b>	<b>(2,692,097)</b>	<b>5,110,438</b>	<b>34.5%</b>
<b>Total specialized loans to legal entities</b>	<b>16,661,827</b>	<b>(3,594,041)</b>	<b>13,067,786</b>	<b>21.6%</b>
<b>Total loans to legal entities</b>	<b>31,548,558</b>	<b>(5,314,704)</b>	<b>26,233,854</b>	<b>16.8%</b>

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

	<b>Gross loans</b>	<b>Allowance for loan impairment</b>	<b>Net loans</b>	<b>Allowance for loan impairment to gross loans</b>
<b>Consumer and other loans to individuals</b>				
<i>Collectively assessed</i>				
Not past due	636,864	(2,175)	634,689	0.3%
Loans up to 30 days overdue	11,204	(1,932)	9,272	17.2%
Loans 31 to 60 days overdue	5,252	(2,694)	2,558	51.3%
Loans 61 to 90 days overdue	2,704	(2,704)	–	100.0%
Loans 91 up to 180 days overdue	6,554	(6,554)	–	100.0%
Loans over 180 days overdue	38,937	(38,937)	–	100.0%
<b>Total consumer and other loans to individuals</b>	<b>701,515</b>	<b>(54,996)</b>	<b>646,519</b>	<b>7.8%</b>
<b>Credit cards and overdrafts</b>				
<i>Collectively assessed</i>				
Not past due	295,894	(21,217)	274,677	7.2%
Loans up to 30 days overdue	21,250	(1,524)	19,726	7.2%
Loans 31 to 60 days overdue	–	–	–	–
Loans 61 to 90 days overdue	–	–	–	–
Loans 91 up to 180 days overdue	–	–	–	–
Loans over 180 days overdue	–	–	–	–
<b>Total credit cards and overdrafts</b>	<b>317,144</b>	<b>(22,741)</b>	<b>294,403</b>	<b>7.2%</b>
<b>Mortgage loans to individuals</b>				
<i>Collectively assessed</i>				
Not past due	551,486	(2,432)	549,054	0.4%
Loans up to 30 days overdue	14,927	(2,433)	12,494	16.3%
Loans 31 to 60 days overdue	3,560	(2,708)	852	76.1%
Loans 61 to 90 days overdue	2,687	(2,387)	300	88.8%
Loans 91 up to 180 days overdue	9,279	(9,279)	–	100.0%
Loans over 180 days overdue	10,220	(10,220)	–	100.0%
<b>Total mortgage loans to individuals</b>	<b>592,159</b>	<b>(29,459)</b>	<b>562,700</b>	<b>5.0%</b>
<b>Car loans to individuals</b>				
<i>Collectively assessed</i>				
Not past due	62,552	(311)	62,241	0.5%
Loans up to 30 days overdue	1,276	(302)	974	23.7%
Loans 31 to 60 days overdue	758	(442)	316	58.3%
Loans 61 to 90 days overdue	185	(183)	2	98.9%
Loans 91 up to 180 days overdue	167	(167)	–	100.0%
Loans over 180 days overdue	2,703	(2,703)	–	100.0%
<b>Total car loans to individuals</b>	<b>67,641</b>	<b>(4,108)</b>	<b>63,533</b>	<b>6.1%</b>
<b>Total loans to individuals</b>	<b>1,678,459</b>	<b>(111,304)</b>	<b>1,567,155</b>	<b>6.6%</b>
<b>Total loans and advances to customers as at 30 June 2016</b>	<b>33,227,017</b>	<b>(5,426,008)</b>	<b>27,801,009</b>	<b>16.3%</b>



*(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:

	<b>Gross loans</b>	<b>Allowance for loan impairment</b>	<b>Net loans</b>	<b>Allowance for loan impairment to gross loans</b>
<b>Commercial loans to legal entities</b>				
<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%
<b>Total collectively assessed loans</b>	<b>10,377,224</b>	<b>(326,521)</b>	<b>10,050,703</b>	<b>3.1%</b>
<b>Individually impaired</b>				
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%
<b>Total individually impaired loans</b>	<b>3,633,383</b>	<b>(1,136,579)</b>	<b>2,496,804</b>	<b>31.3%</b>
<b>Total commercial loans to legal entities</b>	<b>14,010,607</b>	<b>(1,463,100)</b>	<b>12,547,507</b>	<b>10.4%</b>
<b>Specialized loans to legal entities</b>				
<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%
<b>Total collectively assessed loans</b>	<b>8,876,947</b>	<b>(585,674)</b>	<b>8,291,273</b>	<b>6.6%</b>
<b>Individually impaired</b>				
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%
<b>Total individually impaired loans</b>	<b>7,053,239</b>	<b>(1,746,536)</b>	<b>5,306,703</b>	<b>24.8%</b>
<b>Total specialized loans to legal entities</b>	<b>15,930,186</b>	<b>(2,332,210)</b>	<b>13,597,976</b>	<b>14.6%</b>
<b>Total loans to legal entities</b>	<b>29,940,793</b>	<b>(3,795,310)</b>	<b>26,145,483</b>	<b>12.7%</b>

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

	<b>Gross loans</b>	<b>Allowance for loan impairment</b>	<b>Net loans</b>	<b>Allowance for loan impairment to gross loans</b>
<b>Consumer and other loans to individuals</b>				
<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%
<b>Total consumer and other loans to individuals</b>	<b>779,645</b>	<b>(47,732)</b>	<b>731,913</b>	<b>6.1%</b>
<b>Credit cards and overdrafts</b>				
<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	-	-	-	-
<b>Total credit cards and overdrafts</b>	<b>274,515</b>	<b>(15,030)</b>	<b>259,485</b>	<b>5.5%</b>
<b>Mortgage loans to individuals</b>				
<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%
<b>Total mortgage loans to individuals</b>	<b>626,132</b>	<b>(24,089)</b>	<b>602,043</b>	<b>3.8%</b>
<b>Car loans to individuals</b>				
<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%
<b>Total car loans to individuals</b>	<b>76,228</b>	<b>(4,016)</b>	<b>72,212</b>	<b>5.3%</b>
<b>Total loans to individuals</b>	<b>1,756,520</b>	<b>(90,867)</b>	<b>1,665,653</b>	<b>5.2%</b>
<b>Total loans and advances to customers as at 31 December 2015</b>	<b>31,697,313</b>	<b>(3,886,177)</b>	<b>27,811,136</b>	<b>12.3%</b>

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 30 June 2016 the outstanding non-performing loans were as follows:

	<b>Gross loans</b>	<b>Allowance for loan impairment</b>	<b>Net loans</b>	<b>Allowance for loan impairment to gross loans</b>
Commercial loans to legal entities	2,928,453	(1,367,361)	1,561,092	46.7%
Specialised loans to legal entities	5,218,105	(2,157,673)	3,060,432	41.3%
Consumer and other loans to individuals	45,491	(45,491)	–	100.0%
Mortgage loans to individuals	19,499	(19,499)	–	100.0%
Car loans to individuals	2,870	(2,870)	–	100.0%
<b>Total non-performing loans to customers as at 30 June 2016</b>	<b>8,214,418</b>	<b>(3,592,894)</b>	<b>4,621,524</b>	<b>43.7%</b>

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

	<b>Gross loans</b>	<b>Allowance for loan impairment</b>	<b>Net loans</b>	<b>Allowance for loan impairment to gross loans</b>
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%
<b>Total non-performing loans to customers as at 31 December 2015</b>	<b>3,182,260</b>	<b>(1,521,823)</b>	<b>1,660,437</b>	<b>47.8%</b>

Movements in allowances for impairment losses for the periods ended 30 June 2016 and 30 June 2015 are disclosed in Note 18.

Information on loans which terms have been renegotiated, as at 30 June 2016 and 31 December 2015 is presented in the tables below. It shows the carrying amount for renegotiated loans by class.

	<b>30 June 2016</b>	<b>31 December 2015</b>
Commercial loans to legal entities	670,551	837,863
Specialised loans to legal entities	1,148,492	172,252
Consumer and other loans to individuals	871	606
Mortgage loans to individuals	6,630	5,563
Car loans to individuals	15	31
<b>Total renegotiated loans before allowance for loan impairment</b>	<b>1,826,559</b>	<b>1,016,315</b>

The loans to legal entities within the business size of borrowers as at 30 June 2016 and 31 December 2015 are as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Largest clients	9,909,430	8,904,200
Large clients	15,282,602	14,329,339
Medium business	2,927,976	2,998,153
Small business	3,428,550	3,709,101
<b>Total loans to legal entities before allowance for loan impairment</b>	<b>31,548,558</b>	<b>29,940,793</b>

*(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 30 June 2016 and 31 December 2015 is as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Gross investment in finance lease	29,964	70,128
Unearned future finance income on finance lease	(7,267)	(23,599)
<b>Net investment in finance lease before allowance for impairment</b>	<b>22,697</b>	<b>46,529</b>
Less allowance for impairment	(1,763)	(13,477)
<b>Net investment in finance lease after allowance for impairment</b>	<b>20,934</b>	<b>33,052</b>

The contractual maturity analysis of net investments in finance lease as at 30 June 2016 is as follows:

	<b>Net investment in finance lease before allowance for impairment</b>	<b>Allowance for loan impairment</b>	<b>Net investment in finance lease after allowance for impairment</b>
Not later than 1 year	15,738	(1,222)	14,516
Later than 1 year but not later than 5 years	6,959	(541)	6,418
Later than 5 years	-	-	-
<b>Total as at 30 June 2016</b>	<b>22,697</b>	<b>(1,763)</b>	<b>20,934</b>

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

	<b>Net investment in finance lease before allowance for impairment</b>	<b>Allowance for loan impairment</b>	<b>Net investment in finance lease after allowance for impairment</b>
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	-	-	-
<b>Total as at 31 December 2015</b>	<b>46,529</b>	<b>(13,477)</b>	<b>33,052</b>

The analysis of minimal finance lease receivables as at 30 June 2016 and 31 December 2015 per contractual maturity is as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Not later than 1 year	21,074	51,474
Later than 1 year but not later than 5 years	8,890	18,654
Later than 5 years	-	-
<b>Total</b>	<b>29,964</b>	<b>70,128</b>

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

Economic sector risk concentrations within the customer loan portfolio as 30 June 2016 and 31 December 2015 are as follows:

	<b>30 June 2016</b>		<b>31 December 2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Real estate	8,361,931	25.1	7,753,191	24.3
Trade and catering	5,360,362	16.1	5,203,211	16.4
Machinery and equipment	4,139,961	12.5	4,052,862	12.8
Food	3,029,331	9.1	3,008,909	9.5
Individuals	1,678,459	5.0	1,756,520	5.5
Chemical and oil refinery industry	1,631,778	4.9	1,787,837	5.6
Metallurgy	1,215,755	3.7	746,413	2.4
Construction	1,141,610	3.4	1,173,649	3.7
Energy and fuel	893,592	2.7	561,105	1.8
Financial services	884,450	2.7	1,012,749	3.2
Building materials	849,034	2.6	862,435	2.7
Timber and woodworking industry	773,931	2.3	716,338	2.3
Light industry	658,063	2.0	558,317	1.8
Agriculture	516,083	1.6	462,121	1.5
Transport and communication	506,880	1.5	495,554	1.6
Mining	298,908	0.9	239,798	0.8
Other	1,286,889	3.9	1,306,304	4.1
<b>Total loans to customers before allowance for loan impairment</b>	<b>33,227,017</b>	<b>100.0</b>	<b>31,697,313</b>	<b>100.0</b>

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

	<b>30 June 2016</b>	<b>31 December 2015</b>
Loans collateralized by equipment and rights thereon	11,197,460	5,696,121
Loans collateralized by real estate or rights thereon	11,129,108	14,001,862
Loans collateralized by lien over receivables	3,354,247	3,924,079
Loans collateralized by guarantees of individuals	1,819,194	1,128,574
Loans collateralized by guarantees of the Government and local authorities	1,604,707	503,679
Loans collateralized by means of transport	1,104,714	1,235,364
Loans collateralized by guarantees of enterprises	746,528	1,620,501
Loans collateralized by inventories	537,690	1,930,885
Loans collateralized by cash or guarantee deposits	156,490	104,010
Loans collateralized by other types of collateral	1,576,879	1,552,238
	<b>33,227,017</b>	<b>31,697,313</b>
Less allowance for loan impairment	(5,426,008)	(3,886,177)
<b>Total loans to customers</b>	<b>27,801,009</b>	<b>27,811,136</b>

As at 30 June 2016 the aggregated loan amount of 20 largest borrowers was BYR 13,208,994 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 30 June 2016 the Group has entered into Funded Participation Deals. As at 30 June 2016 The Group issued loans to its corporate customers funded by the banks of Sberbank of Russia Group in amount of BYR 16,387,495 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 112,103 and BYR 153,211 as at 30 June 2016 and 31 December 2015 respectively.

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

As at 30 June 2016 and 31 December 2015 non-current assets held for sale include premises previously used by the Group, residential real estate, selling spaces and other estate 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>30 June 2016</i>	<i>Interest to nominal, %</i>	<i>31 December 2015</i>
Long-term government bonds in foreign currency	6.85%-7.25%	5,160,837	6.85%-7.25%	6,477,798
Long-term government bonds in national currency	22.0%	614,957	25.0%	611,457
Shares	-	32,657	-	32,139
Bonds issued by municipalities	22.0%	11,256	25.0%	11,741
Bonds of Belarusian banks	-	-	6.00%	61,621
<b>Total investments available for sale</b>		<b>5,819,707</b>		<b>7,194,756</b>

**9. Investments held to maturity**

Investments held to maturity comprise:

	<i>Currency</i>	<i>Maturity date</i>	<i>Interest to nominal</i>	<i>30 June 2016</i>
Bonds issued by municipalities	BYR	July 2020	22.00%	10,614
<b>Total investments held to maturity</b>				<b>10,614</b>

  

	<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
<b>Total investments held to maturity</b>				<b>10,614</b>

**10. Premises and equipment and intangible assets**

For the 6 months ended 30 June 2016 the Group's premises, equipment, and intangible assets additions amounted to BYR 132,341 million (for the 6 months ended 30 June 2015 - BYR 174,174 million), disposals of premises, equipment, and intangible assets amounted to 9,740 million (for the 6 months ended 30 June 2015 - BYR 5,438 million).

As at 30 June 2016 included in computer equipment are fully depreciated items in the amount of BYR 157,341 million (31 December 2015: BYR 159,214 million), in vehicles in the amount of BYR 9,923 million (31 December 2015: BYR 43,317 million) and in furniture and other assets in the amount of BYR 132,363 million (31 December 2015: BYR 109,191 million).

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

Other assets comprise:

	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Other financial assets</b>		
Receivables on Group's cards settlements	214,897	166,260
Accrued income	67,503	63,162
Receivables from purchasers of Group's fixed assets	11,350	611
Other accounts receivables due to business transactions to be settled in cash	8,009	506
Accounts receivables due to business transactions to be settled in cash	<b>301,759</b>	<b>230,539</b>
<b>Other non-financial assets</b>		
Precious metals	82,512	63,309
Taxes recoverable and prepaid, other than income taxes	79,195	75,564
Premises in stock	60,132	60,132
Prepaid expenses	46,013	40,896
Prepayments for premises, equipment and intangible assets	28,326	14,639
Inventory	2,436	277
Other advances and prepayments	33,484	26,624
	<b>332,098</b>	<b>281,441</b>
<b>Total other assets</b>	<b>633,857</b>	<b>511,980</b>

**12. Due to banks**

Due to banks comprise:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Loans from banks and financial institutions	3,442,529	5,512,668
Trade finance deals	2,858,651	3,839,531
Correspondent accounts of banks	223,112	303,310
<b>Total due to banks</b>	<b>6,524,292</b>	<b>9,655,509</b>

As at 30 June 2016 a balance of due to banks amounting to BYR 4,732,498 million was to two counterparties, including BYR 3,704,636 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:

	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Individuals:</b>		
- Current/demand accounts	1,731,680	2,855,147
- Term deposits	15,824,421	15,368,307
<b>Total due to individuals</b>	<b>17,556,101</b>	<b>18,223,454</b>
<b>State and public organisations:</b>		
- Current/settlement accounts	152,660	145,334
- Term deposits	210,342	245,014
<b>Total due to state and public organisations</b>	<b>363,002</b>	<b>390,348</b>
<b>Other corporate customers:</b>		
- Current/settlement accounts	3,025,783	2,844,426
- Term deposits	6,129,334	6,996,912
<b>Total due to other corporate customers</b>	<b>9,155,117</b>	<b>9,841,338</b>
<b>Total due to corporate customers</b>	<b>9,518,119</b>	<b>10,231,686</b>
<b>Total due to individuals and corporate customers</b>	<b>27,074,220</b>	<b>28,455,140</b>

As at 30 June 2016 included in due to corporate customers are deposits of BYR 315,665 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 30 June 2016 the aggregated balances of 20 largest customers was BYR 3,715,828 million or 13.7% 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:

	<b>30 June 2016</b>		<b>31 December 2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Individuals	17,556,101	64.8	18,223,454	64.0
Transport	2,532,947	9.4	2,308,196	8.1
Process industry	1,757,520	6.5	2,347,072	8.2
Trade	1,001,948	3.7	1,276,797	4.5
Scientific work	761,905	2.8	586,829	2.1
Communications	758,832	2.8	851,946	3.0
Agriculture	376,634	1.4	304,100	1.1
Sport & art	339,125	1.2	245,222	0.9
Insurance and other financial services	325,709	1.2	272,770	1.0
Energy	202,091	0.7	194,278	0.7
Hotel business	160,908	0.6	34,318	0.1
Administrative	152,533	0.6	54,119	0.2
Education	126,504	0.5	60,476	0.2
Public health	55,221	0.2	23,937	0.1
State and government bodies	52,864	0.2	122,946	0.4
Construction	49,500	0.2	1,193,407	4.2
Mining	43,951	0.2	120,867	0.4
Household	41,878	0.1	255	0.0
Mediation	1,486	0.0	111,798	0.4
Other	776,563	2.9	122,353	0.4
<b>Total due to individuals and corporate customers</b>	<b>27,074,220</b>	<b>100.0</b>	<b>28,455,140</b>	<b>100.0</b>



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

Debt securities issued comprise:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Bonds issued to legal entities	1,382,521	1,769,059
Bonds issued to individuals	7,858	118,341
Certificates of deposit	399	1,262
Saving certificates	1	1
<b>Total debt securities issued</b>	<b>1,390,779</b>	<b>1,888,663</b>

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 24-26% (for bonds in BYR) p.a. (31 December 2015: from 5-7.5% (for bonds in USD, EUR and RUB) to 24-27% (for bonds in BYR) p.a.

In 2016 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:

	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Other financial liabilities</b>		
Payables for finance lease	648,038	607,213
Settlement accounts on other banking services	95,733	23,095
Unused leave and bonus accrual	32,864	87,652
Accrued contributions to deposits protection fund	25,777	27,068
Payments due to other contractors	22,706	55,441
Accrued fee payable under documentary transactions and transactions with plastic cards	20,324	19,517
Payables of dividends	51	49
Payables for premises and equipment	-	1,383
	<b>845,493</b>	<b>821,418</b>
<b>Other non-financial liabilities</b>		
Taxes payable, other than income taxes	46,462	53,089
Other	10,461	9,793
	<b>56,923</b>	<b>62,882</b>
<b>Total other liabilities</b>	<b>902,416</b>	<b>884,300</b>

As at 30 June 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 30 June 2016 and as at 31 December 2015 are analyzed as follows:

<b>30 June 2016</b>	<b>Not later than 1 year</b>	<b>Later than 1 year and not later than 5 years</b>	<b>Later than 5 years</b>	<b>Total</b>
Minimum lease payments	119,612	465,922	510,425	<b>1,095,959</b>
Future finance costs	(79,518)	(256,693)	(111,710)	<b>(447,921)</b>
<b>Net liabilities under finance lease agreements</b>	<b>40,094</b>	<b>209,229</b>	<b>398,715</b>	<b>648,038</b>

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

<b>31 December 2015</b>	<b>Not later than 1 year</b>	<b>Later than 1 year and not later than 5 years</b>	<b>Later than 5 years</b>	<b>Total</b>
Minimum lease payments	108,302	421,893	514,579	<b>1,044,774</b>
Future finance costs	(73,626)	(240,955)	(122,980)	<b>(437,561)</b>
<b>Net liabilities under finance lease agreements</b>	<b>34,676</b>	<b>180,938</b>	<b>391,599</b>	<b>607,213</b>

As at 30 June 2016 and 31 December 2015 current amount of future minimum lease payments and present value comprised:

<b>30 June 2016</b>	<b>Not later than 1 year</b>	<b>Later than 1 year and not later than 5 years</b>	<b>Later than 5 years</b>	<b>Total</b>
Minimum lease payments	119,612	465,922	510,425	<b>1,095,959</b>
Present value of minimum lease payments	111,399	319,397	217,242	<b>648,038</b>

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

**16. Share capital**

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

	<b>Number of shares</b>		<b>Nominal amount, BYR</b>		<b>Hyperinflation adjustment</b>	<b>Total</b>
	<b>Preferred</b>	<b>Ordinary</b>	<b>Preferred</b>	<b>Ordinary</b>		
31 December 2015	871,112	1,470,828,888	500	500	2,481,713	<b>3,217,563</b>
30 June 2016	871,112	1,470,828,888	500	500	2,481,713	<b>3,217,563</b>

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 6 months ended 30 June 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 6 months ended 30 June 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 85,652 million of net profit during the 6 months ended 30 June 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:

	<b>3 months ended 30 June 2016</b>	<b>3 months ended 30 June 2015</b>	<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2015</b>
<b>Interest income</b>				
Interest on loans to corporate customers	1,278,053	1,267,948	2,439,344	2,670,513
Interest on investments available for sale	130,714	47,983	280,835	72,796
Interest on loans to individuals	117,101	147,256	251,223	306,577
Interest on due from banks	11,655	31,516	17,748	40,744
Interest on investments held to maturity	598	6,226	1,258	12,465
<b>Total interest income</b>	<b>1,538,121</b>	<b>1,500,929</b>	<b>2,990,408</b>	<b>3,103,095</b>
<b>Interest expense</b>				
Interest on due to individuals	216,576	356,304	464,455	632,744
Interest on due to corporate customers	213,190	244,572	446,115	559,419
Interest on deposits from banks	79,854	159,665	181,476	328,108
Interest on debt securities issued to corporate customers	25,784	35,934	67,221	75,822
Interest on Subordinated loan	7,334	12,903	27,964	21,922
Interest on deposits from National Bank	21,142	209	61,296	72,982
Interest on debt securities issued to individuals	–	1,560	1,112	3,384
<b>Total interest expense</b>	<b>563,880</b>	<b>811,147</b>	<b>1,249,639</b>	<b>1,694,381</b>
Contributions to deposits protection fund	25,444	46,174	53,378	89,766
<b>Net interest income before allowance for loan impairment</b>	<b>948,797</b>	<b>643,608</b>	<b>1,687,391</b>	<b>1,318,948</b>

**18. Allowance for loan impairment, other provisions**

The movements in allowance for loan impairment were as follows:

	<b>Commercial loans</b>	<b>Specialized loans</b>	<b>Consumer and other loans</b>	<b>Loans to individuals Credit</b>			<b>Total</b>
				<b>cards and overdrafts</b>	<b>Mortgage loans</b>	<b>Car loans</b>	
<b>31 December 2014</b>	<b>545,371</b>	<b>726,810</b>	<b>27,959</b>	<b>6,900</b>	<b>14,482</b>	<b>1,842</b>	<b>1,323,364</b>
Allowance charge for the period	544,136	535,228	18,245	1,583	12,792	1,504	1,113,488
Amounts written off	(128,444)	(7,425)	–	–	–	–	(135,869)
<b>30 June 2015</b>	<b>961,063</b>	<b>1,254,613</b>	<b>46,204</b>	<b>8,483</b>	<b>27,274</b>	<b>3,346</b>	<b>2,300,983</b>
<b>31 December 2015</b>	<b>1,463,100</b>	<b>2,332,210</b>	<b>47,732</b>	<b>15,030</b>	<b>24,089</b>	<b>4,016</b>	<b>3,886,177</b>
Allowance charge for the period	455,838	1,286,070	7,264	7,711	5,370	92	1,762,345
Recovery of loans previously written off	6,273	1,074	–	–	–	–	7,347
Amounts written off	(204,548)	(25,313)	–	–	–	–	(229,861)
<b>30 June 2016</b>	<b>1,720,663</b>	<b>3,594,041</b>	<b>54,996</b>	<b>22,741</b>	<b>29,459</b>	<b>4,108</b>	<b>5,426,008</b>

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

	<b>Guarantees and other commitments</b>
<b>31 December 2014</b>	<b>11,202</b>
Reversal of provision	(10,699)
<b>30 June 2015</b>	<b>503</b>
<b>31 December 2015</b>	<b>10,625</b>
Reversal of provision	(6,830)
<b>30 June 2016</b>	<b>3,795</b>

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

Fee and commission income and expense comprise:

	<b>3 months ended 30 June 2016</b>	<b>3 months ended 30 June 2015</b>	<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2015</b>
<b>Fee and commission income</b>				
Other operations with plastic cards	140,176	123,088	260,851	225,533
Settlement and cash operations with clients	85,022	67,867	165,354	133,536
Salary transfer on card accounts and related cash withdrawals	72,006	74,763	141,104	146,021
Agent's fees	67,388	52,111	104,633	101,042
Documentary operations	33,325	42,673	69,602	85,661
Cash delivery and collection	26,947	25,132	53,193	48,646
Foreign exchange operations	9,253	22,047	15,508	50,729
Securities operations	4,517	7,171	9,841	10,874
Settlements with banks	300	147	445	250
Other	8,965	4,903	15,558	8,349
<b>Total fee and commission income</b>	<b>447,899</b>	<b>419,902</b>	<b>836,089</b>	<b>810,641</b>
<b>Fee and commission expense</b>				
Plastic cards operations	66,799	54,854	114,100	94,124
Documentary operations	27,231	34,160	57,983	70,776
Correspondent bank services	1,777	966	3,124	2,234
Foreign exchange and cash operations	1,219	1,693	2,189	3,375
Cash delivery and collection	575	1,431	1,893	2,285
Other	1,739	2,052	4,388	4,366
<b>Total fee and commission expense</b>	<b>99,340</b>	<b>95,156</b>	<b>183,677</b>	<b>177,160</b>

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

Net gain on foreign exchange operations comprises:

	<b>3 months ended 30 June 2016</b>	<b>3 months ended 30 June 2015</b>	<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2015</b>
Net gains/(losses) arising from trading in foreign currencies	19,717	330,307	(130,873)	649,213
Net foreign exchange unrealised gains/(losses)	82,822	(267,009)	(54,669)	(891,010)
Net gains from operations with foreign currency derivatives	7,045	203,757	536,474	843,206
<b>Total net gain on foreign exchange operations</b>	<b>109,584</b>	<b>267,055</b>	<b>350,932</b>	<b>601,409</b>

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

	<b>3 months ended 30 June 2016</b>	<b>3 months ended 30 June 2015</b>	<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2015</b>
Net gains/(losses) from operations with precious metals	24,249	(2,968)	123,402	(2,723)
Net result arising from revaluation of precious metals	(43,978)	(100,431)	(187,833)	(745,776)
Net gains from operations with precious metals derivatives	26,700	72,898	27,683	540,227
<b>Total net gain/(loss) from operations with precious metals</b>	<b>6,971</b>	<b>(30,501)</b>	<b>(36,748)</b>	<b>(208,272)</b>

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

Other income comprises:

	<b>3 months ended 30 June 2016</b>	<b>3 months ended 30 June 2015</b>	<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2015</b>
Income from sale of premises, equipment and intangible assets	22,895	–	5,495	–
Income from non-banking activities	13,955	34,722	18,964	40,714
Penalties received	5,140	4,085	11,439	6,199
Income from sale of coins	939	755	5,016	4,404
Dividends received	598	126	626	140
Income from operating leases	235	244	2,640	479
Repayment of loans previously written off	9	22,663	16	39,312
Other	9,353	5,425	14,142	8,050
	<b>53,124</b>	<b>68,020</b>	<b>58,338</b>	<b>99,298</b>

As of January, 1st, 2016, repayment of loans previously written off is recognised on "Reversal of allowance for impairment losses on interest bearing assets" account.

**22. Operating expenses**

Operating expenses comprise:

	<b>3 months ended 30 June 2016</b>	<b>3 months ended 30 June 2015</b>	<b>6 months ended 30 June 2016</b>	<b>6 months ended 30 June 2015</b>
Staff costs	159,564	205,425	260,977	356,607
Social security contribution	42,437	49,901	66,157	90,569
Other staff expenses	2,989	3,028	5,030	5,480
<b>Personnel expenses</b>	<b>204,990</b>	<b>258,354</b>	<b>332,164</b>	<b>452,656</b>
Premises and equipment maintenance	58,145	55,207	64,348	104,741
Operating leases	55,256	59,281	110,916	104,331
Depreciation and amortization	48,032	34,742	105,073	83,623
Expenses on maintenance of banking software	26,482	50,684	90,275	68,934
Taxes, other than income taxes	22,744	151,451	46,708	243,659
Public utilities payments	10,872	8,845	25,880	18,156
Security expenses	9,668	8,940	18,878	17,721
Stationery	8,850	12,261	20,395	20,917
Legal and consulting services	3,929	2,631	6,787	5,033
Vehicles maintenance and fuel expenses	3,639	3,812	6,562	7,314
Communications	3,535	2,823	6,588	5,354
Advertising costs	2,138	9,711	4,315	18,069
Net loss from sale of premises, equipment and other assets	–	4,706	–	4,909
Other expenses	26,457	12,411	37,275	25,145
<b>Other operating expenses</b>	<b>279,747</b>	<b>417,505</b>	<b>544,000</b>	<b>727,906</b>
<b>Total operating expenses</b>	<b>484,737</b>	<b>675,859</b>	<b>876,164</b>	<b>1,180,562</b>

*(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 3,795 million and BYR 10,625 million as at 30 June 2016 and 31 December 2015, respectively (Note 18).

As at 30 June 2016 and 31 December 2015 the nominal or contract amounts of contingent liabilities were:

	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Contingent liabilities and credit commitments</b>		
Uncovered letters of credit	1,660,378	1,272,884
Commitments on loans and unused credit lines	1,280,710	1,548,801
Guarantees issued and similar commitments	678,203	668,634
Letters of credit secured by cash	315,665	469,496
<b>Total contingent liabilities and credit commitments</b>	<b>3,934,956</b>	<b>3,959,815</b>

**Operating lease commitments**

Where the Group is the lessee, the future minimum lease payments under non-cancelable operating leases as at 30 June 2016 and 31 December 2015 are as follows:

	<b>30 June 2016</b>	<b>31 December 2015</b>
Not later than 1 year	117,419	122,216
Later than 1 year and not later than 5 years	351,473	351,554
Later than 5 years	262,340	278,551
<b>Total operating lease commitments</b>	<b>731,232</b>	<b>752,321</b>

**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 30 June 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 9<sup>th</sup>, 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 9<sup>th</sup>, 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 23% 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. 1 September 2016 the rate of mandatory sale of foreign currency will be set at 20%.

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 31<sup>st</sup> 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 1<sup>st</sup> 2015. For the first halfyear of 2016 the inflation level was 7.8%

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 30 June 2016 and 31 December 2015 with related parties:

	30 June 2016		31 December 2015	
	<i>Related party balances</i>	<i>Total category as per the financial statements caption</i>	<i>Related party balances</i>	<i>Total category as per the financial statements caption</i>
<b>Cash and cash equivalents</b>	<b>198,034</b>	<b>5,604,143</b>	<b>276,106</b>	<b>6,158,872</b>
- parent bank	197,674		274,912	
- entities under common control	360		1,194	
<b>Loans to corporate customers, gross</b>	<b>–</b>	<b>24,177</b>	<b>14,400</b>	<b>108,689</b>
- associates	–		14,400	
<b>Loans to individuals, gross</b>	<b>16,683</b>	<b>1,678,459</b>	<b>18,639</b>	<b>1,756,520</b>
- key management personnel	16,683		18,639	
<b>Allowance for impairment losses</b>	<b>1,106</b>	<b>5,426,008</b>	<b>964</b>	<b>3,886,177</b>
- key management personnel	1,106		964	
<b>Investments in associates</b>	<b>85,826</b>	<b>85,826</b>	<b>86,950</b>	<b>89,950</b>
<b>Due to banks</b>	<b>3,918,678</b>	<b>6,524,292</b>	<b>6,689,081</b>	<b>9,655,509</b>
- parent bank	3,704,636		6,323,442	
- entities under common control	214,042		365,639	
<b>Subordinated debt</b>	<b>1,443,650</b>	<b>1,443,650</b>	<b>1,015,000</b>	<b>1,015,000</b>
- parent bank	1,443,650		1,015,000	
<b>Due to individuals</b>	<b>121,298</b>	<b>17,556,101</b>	<b>108,530</b>	<b>18,223,454</b>
- key management personnel	121,298		108,530	
<b>Due to corporate customers</b>	<b>14,634</b>	<b>9,518,119</b>	<b>63,404</b>	<b>10,231,686</b>
- associates	14,634		63,404	
<b>Commitments and contingencies</b>	<b>9,212</b>	<b>3,934,956</b>	<b>14,099</b>	<b>3,959,815</b>
- associates	86		14,026	
- key management personnel	9,126		73	
<b>Other financial assets</b>	<b>581</b>	<b>301,759</b>	<b>19,685</b>	<b>230,539</b>
- parent bank	60		11,553	
- associates	521		8,132	
<b>Other financial liabilities</b>	<b>659,295</b>	<b>845,493</b>	<b>617,608</b>	<b>821,418</b>
- parent bank	10,592		9,787	
- associates	648,037		607,212	
- entities under common control	666		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 6 months ended 30 June 2016 and 6 months ended 30 June 2015 are the following amounts which arose due to transactions with related parties:

	30 June 2016		30 June 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>
<b>Interest income</b>	<b>6,170</b>	<b>2,990,408</b>	<b>7,989</b>	<b>3,103,095</b>
- parent bank	5,902		7,243	
- associates	-		582	
- key management personnel	268		164	
<b>Fee and commission income</b>	<b>105,454</b>	<b>836,089</b>	<b>100,991</b>	<b>810,641</b>
- parent bank	105,249		100,150	
- associates	203		840	
- key management personnel	2			
<b>Interest expense</b>	<b>(159,161)</b>	<b>(1,249,639)</b>	<b>(237,533)</b>	<b>(1,694,381)</b>
- parent bank	(155,933)		(233,351)	
- associates	(127)		(770)	
- key management personnel	(3,101)		(3,412)	
<b>Allowance for loan impairment</b>	<b>(142)</b>	<b>(1,762,345)</b>	<b>(6)</b>	<b>(1,113,488)</b>
- associates	-		(409)	
- key management personnel	(142)		403	
<b>Fee and commission expense</b>	<b>(47,259)</b>	<b>(183,677)</b>	<b>(50,530)</b>	<b>(177,160)</b>
- parent bank	(47,259)		(50,530)	
<b>Staff costs</b>	<b>(7,257)</b>	<b>(260,977)</b>	<b>(12,021)</b>	<b>(356,607)</b>
- key management personnel	(7,257)		(12,021)	

During the 6 months ended 30 June 2016 and 6 months ended 30 June 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:

	<b>Обслуживание физических лиц</b>	<b>Обслуживание корпора- тивных клиентов</b>	<b>Нераспреде- ленные суммы</b>	<b>30 июня 2016 года/ 6 месяцев, закончившихся 30 июня 2016 года Итого</b>
Interest income	251,223	2,439,344	299,841	<b>2,990,408</b>
Interest expense	(465,567)	(513,336)	(270,736)	<b>(1,249,639)</b>
Allowance for impairment losses on interest bearing assets	(20,437)	(1,741,908)	–	<b>(1,762,345)</b>
Contributions to deposits protection fund	(53,378)	–	–	<b>(53,378)</b>
Fee and commission income	432,265	397,711	6,113	<b>836,089</b>
Fee and commission expense	(114,100)	(66,453)	(3,124)	<b>(183,677)</b>
Net losses arising from investment securities available for sale	–	–	(427)	<b>(427)</b>
Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange unrealised losses	70	(1,295)	352,157	<b>350,932</b>
Net losses arising from operations with precious metals and precious metals derivatives	–	–	(36,748)	<b>(36,748)</b>
Other provisions	–	6,830	–	<b>6,830</b>
Reversal of impairment of non-current assets held for sale	–	538	–	<b>538</b>
Other income	–	–	58,338	<b>58,338</b>
<b>Operating income</b>	<b>30,076</b>	<b>521,431</b>	<b>405,414</b>	<b>956,921</b>
Income/(expense) from other segments	300,902	(720,502)	419,600	<b>–</b>
<b>Total operating income/(expense)</b>	<b>330,978</b>	<b>(199,071)</b>	<b>825,014</b>	<b>956,921</b>
Operating expenses	–	–	(876,164)	<b>(876,164)</b>
Share of results of an associate	–	–	13,139	<b>13,139</b>
<b>Profit/(loss) before income taxes</b>	<b>330,978</b>	<b>(199,071)</b>	<b>(38,011)</b>	<b>93,896</b>
Income tax expense	–	–	(2,990)	<b>(2,990)</b>
<b>Net profit/(loss)</b>	<b>330,978</b>	<b>(199,071)</b>	<b>(41,001)</b>	<b>90,906</b>
<b>Segment assets</b>	<b>1,678,459</b>	<b>31,548,558</b>	<b>9,076,786</b>	<b>42,303,803</b>
<b>Segment liabilities</b>	<b>17,563,960</b>	<b>10,901,039</b>	<b>9,219,709</b>	<b>37,684,708</b>
<b>Other segment items</b>				
- Loans to customers	1,678,459	31,548,558	–	<b>33,227,017</b>
- Customer accounts	17,556,101	9,518,119	–	<b>27,074,220</b>
- Debt securities issued	7,859	1,382,920	–	<b>1,390,779</b>

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

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Unallocated</b>	<b>31 December 2015/ 6 months ended 30 June 2015 Total</b>
Interest income	306,577	2,670,513	126,005	<b>3,103,095</b>
Interest expense	(636,128)	(635,241)	(423,012)	<b>(1,694,381)</b>
Allowance for impairment losses on interest bearing assets	(34,124)	(1,079,364)	–	<b>(1,113,488)</b>
Contributions to deposits protection fund	(89,766)	–	–	<b>(89,766)</b>
Fee and commission income	388,751	415,496	6,394	<b>810,641</b>
Fee and commission expense	(94,124)	(80,802)	(2,234)	<b>(177,160)</b>
Net gain arising from investment securities available for sale	–	–	39	<b>39</b>
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange unrealised losses	1,890	191,767	407,752	<b>601,409</b>
Net losses arising from operations with precious metals and precious metals derivatives	–	–	(208,272)	<b>(208,272)</b>
Reversal of other provisions	–	10,699	–	<b>10,699</b>
Other income	–	–	99,298	<b>99,298</b>
<b>Operating (expense)/income</b>	<b>(156,924)</b>	<b>1,493,068</b>	<b>5,970</b>	<b>1,342,114</b>
Income/(expense) from other segments	400,232	(1,408,173)	1,007,941	<b>–</b>
<b>Total operating income</b>	<b>243,308</b>	<b>84,895</b>	<b>1,013,911</b>	<b>1,342,114</b>
Operating expenses	–	–	(1,180,562)	<b>(1,180,562)</b>
Share of results of an associate	–	–	20,149	<b>20,149</b>
<b>Profit/(loss) before income taxes</b>	<b>243,308</b>	<b>84,895</b>	<b>(146,502)</b>	<b>181,701</b>
Income tax expense	–	–	(14,552)	<b>(14,552)</b>
<b>Net profit/(loss)</b>	<b>243,308</b>	<b>84,895</b>	<b>(161,054)</b>	<b>167,149</b>
<b>Segment assets</b>	<b>1,716,251</b>	<b>29,738,481</b>	<b>11,803,728</b>	<b>43,258,460</b>
<b>Segment liabilities</b>	<b>(16,151,849)</b>	<b>(10,545,636)</b>	<b>(12,061,875)</b>	<b>(38,759,360)</b>
<b>Other segment items</b>				
- Loans to customers	1,716,251	29,738,481	–	<b>31,454,732</b>
- Customer accounts	(16,034,790)	(9,592,483)	–	<b>(25,627,273)</b>
- Debt securities issued	(117,059)	(953,153)	–	<b>(1,070,212)</b>

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:

	30 June 2016			31 December 2015		
	Carrying value	Fair value	Unrecognised gain/(loss)	Carrying value	Fair value	Unrecognised gain/(loss)
Cash and cash equivalents	5,604,143	5,604,143	-	6,158,872	6,158,872	-
Mandatory cash balances with the National Bank of the Republic of Belarus	170,155	170,155	-	175,694	175,694	-
Due from banks	24,177	24,177	-	108,689	108,689	-
Loans to corporate customers	26,233,854	26,250,677	16,823	26,145,483	26,158,522	13,039
Loans to individuals	1,567,155	1,526,146	(41,009)	1,665,653	1,628,859	(36,794)
Investments held to maturity	10,614	11,256	642	10,614	11,741	1,127
Other financial assets	301,759	301,759	-	230,539	230,539	-
Loans from the National Bank of the Republic of Belarus	331,023	331,023	-	649,194	649,194	-
Due to banks	6,524,292	6,487,123	37,169	9,655,509	9,594,439	61,070
Due to individuals	17,556,101	17,605,909	(49,808)	18,223,454	18,183,798	39,656
Due to corporate customers	9,518,119	9,519,751	(1,632)	10,231,686	10,243,520	(11,834)
Debt securities issued	1,390,779	1,427,824	(37,045)	1,888,663	1,944,777	(56,114)
Other financial liabilities	845,493	845,493	-	821,418	821,418	-
Subordinated debt	1,443,650	1,443,650	-	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:

<b>As at 30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets carried at fair value</b>				
Derivative financial instruments	15,395	26,857	–	<b>42,252</b>
Investments available for sale	16,355	5,803,352	–	<b>5,819,707</b>
Office premises	–	–	818,629	<b>818,629</b>
Premises held for sale	–	–	12,394	<b>12,394</b>
<b>Total assets carried at fair value</b>	<b>31,750</b>	<b>5,830,209</b>	<b>831,023</b>	<b>6,692,982</b>
<b>Liabilities carried at fair value</b>				
Derivative financial instruments	13,061	–	–	<b>13,061</b>
<b>Total liabilities carried at fair value</b>	<b>13,061</b>	–	–	<b>13,061</b>

<b>As at 31 December 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Assets carried at fair value</b>				
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
<b>Total assets carried at fair value</b>	<b>16,371</b>	<b>7,179,196</b>	<b>3,730,496</b>	<b>10,926,063</b>
<b>Liabilities carried at fair value</b>				
Derivative financial instruments	6,432	826	–	7,258
<b>Total liabilities carried at fair value</b>	<b>6,432</b>	<b>826</b>	–	<b>7,258</b>

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

<b>As at 30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets for which fair values are disclosed</b>				
Cash and cash equivalents	5,604,143	–	–	<b>5,604,143</b>
Mandatory cash balances with the National Bank of the Republic of Belarus	170,155	–	–	<b>170,155</b>
Due from banks	–	24,177	–	<b>24,177</b>
Loans to corporate customers	–	–	26,250,677	<b>26,250,677</b>
Loans to individuals	–	–	1,526,146	<b>1,526,146</b>
Investments held to maturity	–	11,256	–	<b>11,256</b>
Other financial assets	–	–	301,759	<b>301,759</b>
<b>Total financial assets for which fair values are disclosed</b>	<b>5,774,298</b>	<b>35,433</b>	<b>28,078,582</b>	<b>33,888,313</b>
<b>Financial liabilities for which fair values are disclosed</b>				
Loans from the National Bank of the Republic of Belarus	–	331,023	–	<b>331,023</b>
Due to banks	–	6,487,123	–	<b>6,487,123</b>
Due to individuals	–	–	17,605,909	<b>17,605,909</b>
Due to corporate customers	–	–	9,519,751	<b>9,519,751</b>
Debt securities issued	–	1,427,824	–	<b>1,427,824</b>
Subordinated debt	–	1,443,650	–	<b>1,443,650</b>
Other financial liabilities	–	–	845,493	<b>845,493</b>
<b>Total financial liabilities for which fair values are disclosed</b>	–	<b>9,689,620</b>	<b>27,971,153</b>	<b>37,660,772</b>

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

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

	<i>At 1 January 2016</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 30 June 2016</i>
<b>Financial assets</b>					
Office premises	805,241	-	-	13,388	818,629
Premises held for sale	8,401	-	-	3,993	12,394
Derivative financial assets	2,916,854	-	570,797	(3,487,651)	-
<b>Total level 3 financial assets</b>	<b>3,730,496</b>	<b>-</b>	<b>570,797</b>	<b>(3,470,270)</b>	<b>831,023</b>
	<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 30 June 2015</i>
<b>Financial assets</b>					
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
<b>Total level 3 financial assets</b>	<b>5,337,484</b>	<b>825,904</b>	<b>1,908,760</b>	<b>(4,341,652)</b>	<b>3,730,496</b>

*(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:

	30 June 2016		31 December 2015	
	Carrying amount	Effect of reasonably possible alternative assumptions	Carrying amount	Effect of reasonably possible alternative assumptions
<b>Financial assets</b>				
<b>Derivative financial instruments</b>	-	-	2,916,854	(13,327)
- foreign currency derivatives	-	-	2,916,854	(13,327)
- precious metals derivatives	-	-	-	-
<b>Financial liabilities</b>				
<b>Derivative financial liabilities</b>	-	-	-	-
- foreign currency derivatives	-	-	-	-

As at 30 June 2016 there were no financial instruments on the fair value of level 3.

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

The obligations in Belarusian roubles were estimated against the prevailing rate of attracting funds in Belarusian roubles at 31 December 2015 - 27.5%.

**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 30 June 2016 and 31 December 2015, comprised:

	<b>30 June 2016</b>	<b>31 December 2015</b>
<b>Tier 1 capital</b>		
Share capital	3,217,563	3,217,563
Share premium	5,763	5,763
Retained earnings	1,120,585	1,021,421
<b>Total Tier 1 capital</b>	<b>4,343,911</b>	<b>4,244,747</b>
<b>Tier 2 capital</b>		
Revaluation reserve for office premises	258,439	267,283
Fair value reserve for investment securities available-for-sale	16,745	16,710
Applied subordinated loan	1,443,650	1,015,000
<b>Total Tier 2 capital</b>	<b>1,718,834</b>	<b>1,298,993</b>
<b>Total capital</b>	<b>6,062,745</b>	<b>5,543,740</b>
<b>Total risk weighted assets (RWA)</b>	<b>32,990,363</b>	<b>37,955,344</b>
Core capital adequacy ratio (total Tier 1 capital / total RWA), %	13.2	11.2
Total capital adequacy ratio (total capital / total RWA), %	18.4	14.6

As at 30 June 2016 and 31 December 2015 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 13.2% 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):

<b>30 June 2016</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>B</b>	<b>CCC</b>	<b>Not rated</b>	<b>Total</b>
Cash equivalents	6,081	313,237	75,705	214,168	4,006,000	978	67,634	<b>4,683,803</b>
Mandatory cash balances with the National Bank	-	-	-	-	170,155	-	-	<b>170,155</b>
Due from banks	-	-	-	-	-	24,177	-	<b>24,177</b>
Derivative financial assets	-	-	10	42,230	-	-	12	<b>42,252</b>
Loans to corporate customers	-	-	-	-	-	-	26,233,854	<b>26,233,854</b>
Loans to individuals	-	-	-	-	-	-	1,567,155	<b>1,567,155</b>
Investments available for sale	-	16,355	-	-	5,775,794	-	27,558	<b>5,819,707</b>
Investments held to maturity	-	-	-	-	-	-	10,614	<b>10,614</b>
Other financial assets	-	-	-	-	-	-	301,759	<b>301,759</b>

<b>31 December 2015</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>BB</b>	<b>B</b>	<b>CCC</b>	<b>Not rated</b>	<b>Total</b>
Cash equivalents	3,907	1,197,678	626,133	277,901	2,423,877	1,155	66,373	<b>4,597,024</b>
Mandatory cash balances with the National Bank	-	-	-	-	175,694	-	-	<b>175,694</b>
Due from banks	-	-	-	14,400	63,135	31,154	-	<b>108,689</b>
Derivative financial assets	-	-	167	309	2,916,888	-	301	<b>2,917,665</b>
Loans to corporate customers	-	-	-	-	-	-	26,145,483	<b>26,145,483</b>
Loans to individuals	-	-	-	-	-	-	1,665,653	<b>1,665,653</b>
Investments available for sale	-	15,835	-	-	7,150,876	-	28,045	<b>7,194,756</b>
Investments held to maturity	-	-	-	-	-	-	10,614	<b>10,614</b>
Other financial assets	-	-	-	-	-	-	230,539	<b>230,539</b>

As at 30 June 2016 and 31 December 2015 other financial assets comprised past due but not impaired assets in the amount of 23,012 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 30 June 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:

<b>30 June 2016</b>	<b>Belarus</b>	<b>CIS Countries</b>	<b>OECD Countries</b>	<b>Non-OECD countries</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and cash equivalents	4,994,692	216,230	392,961	260	<b>5,604,143</b>
Mandatory cash balances with the National Bank	170,155	-	-	-	<b>170,155</b>
Due from banks	24,177	-	-	-	<b>24,177</b>
Derivative financial assets	12	42,240	-	-	<b>42,252</b>
Loans to corporate customers	26,233,854	-	-	-	<b>26,233,854</b>
Loans to individuals	1,567,155	-	-	-	<b>1,567,155</b>
Investments available for sale	5,803,352	-	16,355	-	<b>5,819,707</b>
Investments held to maturity	10,614	-	-	-	<b>10,614</b>
Other financial assets	301,759	-	-	-	<b>301,759</b>
<b>Total financial assets</b>	<b>39,105,770</b>	<b>258,470</b>	<b>409,316</b>	<b>260</b>	<b>39,773,816</b>
<b>Financial liabilities</b>					
Loans from the National Bank	331,023	-	-	-	<b>331,023</b>
Due to banks	257,924	3,805,160	2,459,750	1,458	<b>6,524,292</b>
Derivative financial liabilities	-	13,059	2	-	<b>13,061</b>
Due to individuals	16,684,725	620,062	83,499	167,815	<b>17,556,101</b>
Due to corporate customers	9,109,328	44,539	6,839	357,413	<b>9,518,119</b>
Debt securities issued	1,390,779	-	-	-	<b>1,390,779</b>
Other financial liabilities	845,493	-	-	-	<b>845,493</b>
Subordinated debt	-	1,443,650	-	-	<b>1,443,650</b>
<b>Total financial liabilities</b>	<b>28,619,272</b>	<b>5,926,470</b>	<b>2,550,090</b>	<b>526,686</b>	<b>37,622,518</b>
<b>Net position</b>	<b>10,486,498</b>	<b>(5,668,000)</b>	<b>(2,140,774)</b>	<b>(526,426)</b>	
<b>31 December 2015</b>					
	<b>Belarus</b>	<b>CIS Countries</b>	<b>OECD Countries</b>	<b>Non-OECD countries</b>	<b>Total</b>
<b>Financial assets</b>					
Cash and cash equivalents	4,030,958	279,590	1,825,933	22,391	<b>6,158,872</b>
Mandatory cash balances with the National Bank	175,694	-	-	-	<b>175,694</b>
Due from banks	94,289	14,400	-	-	<b>108,689</b>
Derivative financial assets	2,917,189	474	2	-	<b>2,917,665</b>
Loans to corporate customers	26,145,483	-	-	-	<b>26,145,483</b>
Loans to individuals	1,665,653	-	-	-	<b>1,665,653</b>
Investments available for sale	7,178,921	-	15,835	-	<b>7,194,756</b>
Investments held to maturity	10,614	-	-	-	<b>10,614</b>
Other financial assets	230,539	-	-	-	<b>230,539</b>
<b>Total financial assets</b>	<b>42,449,340</b>	<b>294,464</b>	<b>1,841,770</b>	<b>22,391</b>	<b>44,607,965</b>
<b>Financial liabilities</b>					
Loans from the National Bank	649,194	-	-	-	<b>649,194</b>
Due to banks	446,925	6,416,691	2,790,595	1,298	<b>9,655,509</b>
Derivative financial liabilities	61	7,197	-	-	<b>7,258</b>
Due to individuals	17,392,596	601,057	77,539	152,262	<b>18,223,454</b>
Due to corporate customers	9,918,494	15,185	6,908	291,099	<b>10,231,686</b>
Debt securities issued	1,888,663	-	-	-	<b>1,888,663</b>
Other financial liabilities	821,418	-	-	-	<b>821,418</b>
Subordinated debt	-	1,015,000	-	-	<b>1,015,000</b>
<b>Total financial liabilities</b>	<b>31,117,351</b>	<b>8,055,130</b>	<b>2,875,042</b>	<b>444,659</b>	<b>42,492,182</b>
<b>Net position</b>	<b>11,331,989</b>	<b>(7,760,666)</b>	<b>(1,033,272)</b>	<b>(422,268)</b>	

*(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.

<b>30 June 2016</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Overdue</b>	<b>No stated maturity</b>	<b>Total</b>
<b>Assets</b>								
Cash and cash equivalents	5,604,143	-	-	-	-	-	-	<b>5,604,143</b>
Mandatory cash balances with the National Bank	50,026	43,422	24,842	50,975	890	-	-	<b>170,155</b>
Due from banks	1,183	4,552	6,091	11,907	444	-	-	<b>24,177</b>
Derivative financial assets	42,252	-	-	-	-	-	-	<b>42,252</b>
Loans to corporate customers	2,000,330	7,509,743	2,513,582	6,943,352	5,342,519	1,924,328	-	<b>26,233,854</b>
Loans to individuals	54,495	140,706	239,412	500,977	610,454	21,111	-	<b>1,567,155</b>
Non-current asset held for sale	-	-	205,998	-	-	-	-	<b>205,998</b>
Investments available for sale	1,845,523	591,271	1,102,915	-	2,247,339	-	32,659	<b>5,819,707</b>
Investments held to maturity	-	-	-	-	10,614	-	-	<b>10,614</b>
Investments in an associate	-	-	-	-	-	-	85,826	<b>85,826</b>
Premises and equipment	-	-	-	-	-	-	1,469,312	<b>1,469,312</b>
Intangible assets	-	-	-	-	-	-	408,225	<b>408,225</b>
Deferred income tax assets	-	-	-	-	-	-	28,528	<b>28,528</b>
Other assets	384,433	17,578	5,305	141,047	1,150	23,012	61,332	<b>633,857</b>
<b>Total assets</b>	<b>9,982,385</b>	<b>8,307,272</b>	<b>4,098,145</b>	<b>7,648,258</b>	<b>8,213,410</b>	<b>1,968,451</b>	<b>2,085,882</b>	<b>42,303,803</b>
<b>Liabilities</b>								
Loans from the National Bank	325,093	5,353	577	-	-	-	-	<b>331,023</b>
Due to banks	2,409,964	1,454,260	599,581	1,638,588	421,899	-	-	<b>6,524,292</b>
Derivative financial liabilities	13,061	-	-	-	-	-	-	<b>13,061</b>
Due to individuals	3,867,298	5,832,373	1,881,252	5,956,014	19,164	-	-	<b>17,556,101</b>
Due to corporate customers	4,092,526	1,076,690	2,071,497	2,154,889	122,517	-	-	<b>9,518,119</b>
Debt securities issued	8,259	4,895	233,790	-	1,143,835	-	-	<b>1,390,779</b>
Current income tax liabilities	1,472	-	-	-	-	-	-	<b>1,472</b>
Provisions for guarantees and other commitments	-	3,795	-	-	-	-	-	<b>3,795</b>
Other liabilities	241,362	25,935	20,867	95,202	518,833	-	217	<b>902,416</b>
Subordinated debt	-	-	-	-	1,443,650	-	-	<b>1,443,650</b>
<b>Total liabilities</b>	<b>10,959,035</b>	<b>8,403,301</b>	<b>4,807,564</b>	<b>9,844,693</b>	<b>3,669,898</b>	<b>-</b>	<b>217</b>	<b>37,684,708</b>
<b>Net liquidity surplus/(gap)</b>	<b>(976,650)</b>	<b>(96,029)</b>	<b>(709,419)</b>	<b>(2,196,435)</b>	<b>4,543,512</b>	<b>1,968,451</b>	<b>2,085,665</b>	<b>4,619,095</b>
<b>Cumulative liquidity gap as at 30 June 2016</b>	<b>(976,950)</b>	<b>(1,072,679)</b>	<b>(1,782,098)</b>	<b>(3,978,533)</b>	<b>564,979</b>	<b>2,533,430</b>	<b>4,619,095</b>	

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

<b>31 December 2015</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Overdue</b>	<b>No stated maturity</b>	<b>Total</b>
<b>Assets</b>								
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
<b>Total assets</b>	<b>8,433,033</b>	<b>10,710,659</b>	<b>6,920,542</b>	<b>9,474,806</b>	<b>8,199,653</b>	<b>1,293,117</b>	<b>2,062,619</b>	<b>47,094,429</b>
<b>Liabilities</b>								
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
<b>Total liabilities</b>	<b>8,605,728</b>	<b>11,872,820</b>	<b>10,429,085</b>	<b>8,139,876</b>	<b>3,514,619</b>	<b>-</b>	<b>3,561</b>	<b>42,565,689</b>
<b>Net liquidity surplus/(gap)</b>	<b>(172,695)</b>	<b>(1,162,161)</b>	<b>(3,508,543)</b>	<b>1,334,930</b>	<b>4,685,034</b>	<b>1,293,117</b>	<b>2,059,058</b>	<b>4,528,740</b>
<b>Cumulative liquidity gap as at 31 December 2015</b>	<b>(172,695)</b>	<b>(1,334,856)</b>	<b>(4,843,399)</b>	<b>(3,508,469)</b>	<b>1,176,565</b>	<b>2,469,682</b>	<b>4,528,740</b>	

*(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 30 June 2016 and 31 December 2015 are estimated in the amount of BYR 2,805,626 million and BYR 3,427,306 million, respectively. As at 30 June 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 2,702,026 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 30 June 2016 and 31 December 2015 is as follows:

<b>30 June 2016</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Overdue</b>	<b>No stated maturity</b>	<b>Total</b>
Accounts of individuals analyzed based on expected withdrawal dates	2,688,869	5,832,373	1,881,252	5,956,014	19,164	-	1,178,429	<b>17,556,101</b>
Corporate accounts analyzed based on expected withdrawal dates	2,465,329	1,076,690	2,071,497	2,154,889	122,517	-	1,627,197	<b>9,518,119</b>
Funds attracted from other banks analyzed	374,844	701,251	621,107	1,703,165	421,899	-	2,702,026	<b>6,524,292</b>
<b>Liquidity gap (based on expected withdrawal dates for customers' accounts)</b>	<b>3,864,096</b>	<b>656,980</b>	<b>(730,945)</b>	<b>(2,261,012)</b>	<b>4,543,512</b>	<b>1,968,451</b>	<b>(3,421,987)</b>	
<b>31 December 2015</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 1 to 3 years</b>	<b>More than 3 years</b>	<b>Overdue</b>	<b>No stated maturity</b>	<b>Total</b>
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	<b>18,223,454</b>
Corporate accounts analyzed based on expected withdrawal dates	2,453,637	2,380,681	887,651	2,729,776	196,131	-	1,583,810	<b>10,231,686</b>
Funds attracted from other banks analyzed	708,686	771,063	625,487	2,803,370	522,980	-	4,223,923	<b>9,655,509</b>
<b>Liquidity gap (based on expected withdrawal dates for customers' accounts)</b>	<b>3,560,694</b>	<b>1,229,957</b>	<b>(1,904,198)</b>	<b>1,256,307</b>	<b>4,685,034</b>	<b>1,293,117</b>	<b>(5,592,171)</b>	

As at 30 June 2016 covenants with EBRD were violated in the Group. Liabilities in the amount of BYR 107,628 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 30 June 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 30 June 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>
<b>BYR</b>				
<b>Impact on profit before taxes</b>				
<b>Assets</b>				
Due from banks	2,418	(2,418)	4,495	(4,495)
Loans to customers	615,741	(615,741)	665,948	(665,948)
Investments available for sale	62,501	(62,501)	62,251	(62,251)
Investments held to maturity	1,061	(1,061)	1,061	(1,061)
<b>Liabilities</b>				
Loans from the National Bank	(32,500)	32,500	(64,919)	64,919
Due to banks	(10,465)	10,465	(1,178)	1,178
Customer accounts	(499,007)	499,007	(454,550)	454,550
Debt securities issued	(12,852)	12,852	(24,011)	24,011
<b>Net impact on profit before taxes</b>	<b>126,897</b>	<b>(126,897)</b>	<b>189,097</b>	<b>(189,097)</b>
<b>Impact on comprehensive income (excluding profit for the year)</b>				
Investments available for sale	-	-	-	-
<b>Net impact on comprehensive income</b>	<b>126,897</b>	<b>(126,897)</b>	<b>189,097</b>	<b>(189,097)</b>

	<i>As at 30 June 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>
<b>USD</b>				
<b>Impact on profit before taxes</b>				
<b>Assets</b>				
Due from banks	-	-	3,025	(3,025)
Loans to customers	448,991	(448,991)	477,925	(477,925)
Investments available for sale	35,047	(35,047)	10,977	(10,977)
Investments held to maturity	-	-	-	-
<b>Liabilities</b>				
Due to banks	(8,629)	8,629	(35,422)	35,422
Customer accounts	(342,925)	342,925	(400,273)	400,273
Debt securities issued	(565)	565	(5,498)	5,498
<b>Net impact on profit before taxes</b>	<b>131,919</b>	<b>(131,919)</b>	<b>50,734</b>	<b>(50,734)</b>
<b>Impact on comprehensive income (excluding profit for the year)</b>				
Investments available for sale	(18,444)	18,444	(25,035)	25,035
<b>Net impact on comprehensive income</b>	<b>113,475</b>	<b>(113,475)</b>	<b>25,699</b>	<b>(25,699)</b>

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

<b>EUR</b>	<b>As at 30 June 2016</b>		<b>As at 31 December 2015</b>	
	<b>Interest rate +5%</b>	<b>Interest rate -5%</b>	<b>Interest rate +5%</b>	<b>Interest rate -5%</b>
<b>Impact on profit before taxes</b>				
<b>Assets</b>				
Loans to customers	337,150	(337,150)	352,557	(352,557)
Investments available for sale	162,739	(162,739)	152,249	(152,249)
<b>Liabilities</b>				
Due to banks	(208,248)	208,248	(237,793)	237,793
Customer accounts	(110,163)	110,163	(109,566)	109,566
Debt securities issued	(898)	898	(1,516)	1,516
<b>Net impact on profit before taxes</b>	<b>180,580</b>	<b>(180,580)</b>	<b>155,931</b>	<b>(155,931)</b>
<b>Impact on comprehensive income (excluding profit for the year)</b>				
Investments available for sale	(1,418)	1,418	(18,571)	18,571
<b>Net impact on comprehensive income</b>	<b>179,162</b>	<b>(179,162)</b>	<b>137,360</b>	<b>(137,360)</b>

<b>RUB</b>	<b>As at 30 June 2016</b>		<b>As at 31 December 2015</b>	
	<b>Interest rate +7%</b>	<b>Interest rate -7%</b>	<b>Interest rate +7%</b>	<b>Interest rate -7%</b>
<b>Impact on profit before taxes</b>				
<b>Assets</b>				
Loans to customers	117,248	(117,248)	78,656	(78,656)
Investments available for sale	591	(591)	476	(476)
<b>Liabilities</b>				
Due to banks	(54,345)	54,345	(6,490)	6,490
Customer accounts	(46,525)	46,525	(36,970)	36,970
Debt securities issued	(1,273)	1,273	(6,234)	6,234
<b>Net impact on profit before taxes</b>	<b>15,696</b>	<b>(15,696)</b>	<b>29,438</b>	<b>(29,438)</b>
<b>Impact on comprehensive income (excluding profit for the year)</b>				
Investments available for sale	-	-	-	-
<b>Net impact on comprehensive income</b>	<b>15,696</b>	<b>(15,696)</b>	<b>29,438</b>	<b>(29,438)</b>

**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:

<b>30 June 2016</b>	<b>BYR</b>	<b>USD 1 USD = BYR 20,053</b>	<b>EUR 1 EUR = BYR 22,210</b>	<b>RUB 1 RUB = BYR 312.12</b>	<b>Precious metals</b>	<b>Other currencies</b>	<b>Total</b>
<b>Financial assets</b>							
Cash and cash equivalents	2,050,100	1,777,394	1,354,805	362,907	30,253	28,684	<b>5,604,143</b>
Mandatory cash balances with the National Bank of the Republic of Belarus	170,155	-	-	-	-	-	<b>170,155</b>
Due from banks	24,177	-	-	-	-	-	<b>24,177</b>
Derivative financial assets	42,252	-	-	-	-	-	<b>42,252</b>
Loans to corporate customers	5,489,625	10,989,394	7,454,295	2,288,445	-	12,095	<b>26,233,854</b>
Loans to individuals	1,490,352	75,930	873	-	-	-	<b>1,567,155</b>
Investments available for sale	641,876	1,839,374	3,330,010	8,447	-	-	<b>5,819,707</b>
Investments held to maturity	10,614	-	-	-	-	-	<b>10,614</b>
Other financial assets	246,801	25,315	23,370	5,839	-	434	<b>301,759</b>
<b>Total financial assets</b>	<b>10,165,952</b>	<b>14,707,407</b>	<b>12,163,353</b>	<b>2,665,638</b>	<b>30,253</b>	<b>41,213</b>	<b>39,773,816</b>
<b>Financial liabilities</b>							
Loans from the National Bank	325,001	-	-	-	-	6,022	<b>331,023</b>
Due to banks	105,029	337,979	5,163,993	906,057	-	11,234	<b>6,524,292</b>
Derivative financial liabilities	13,061	-	-	-	-	-	<b>13,061</b>
Due to individuals	1,625,780	12,115,449	3,003,985	216,817	594,066	4	<b>17,556,101</b>
Due to corporate customers	3,941,160	2,751,259	2,068,646	619,591	114,582	22,881	<b>9,518,119</b>
Debt securities issued	129,367	895,329	288,885	77,198	-	-	<b>1,390,779</b>
Other financial liabilities	72,948	579,904	23,867	168,600	-	174	<b>845,493</b>
Subordinated debt	-	-	1,443,650	-	-	-	<b>1,443,650</b>
<b>Total financial liabilities</b>	<b>6,212,346</b>	<b>16,679,920</b>	<b>11,993,026</b>	<b>1,988,263</b>	<b>708,648</b>	<b>40,315</b>	<b>37,622,518</b>
<b>Currency position</b>	<b>3,953,606</b>	<b>(1,972,513)</b>	<b>170,327</b>	<b>677,375</b>	<b>(678,395)</b>	<b>898</b>	

*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.

<b>31 March 2016</b>	<b>BYR</b>	<b>USD 1 USD = BYR 20,053</b>	<b>EUR 1 EUR = BYR 22,210</b>	<b>RUB 1 RUB = BYR 312.12</b>	<b>Precious metals</b>	<b>Other currencies</b>	<b>Total</b>
Claims on derivative financial instruments	8,000	1,840,542	51,083	14,260	678,943	1,507	<b>2,594,335</b>
Obligations on derivative financial instruments	-	(727,820)	(924,998)	(915,212)	-	-	<b>(2,568,030)</b>
<b>Net derivative financial instruments</b>	<b>8,000</b>	<b>1,112,722</b>	<b>(873,915)</b>	<b>(900,952)</b>	<b>678,943</b>	<b>1,507</b>	<b>26,305</b>
<b>Total currency position less fair value of derivative</b>	<b>3,932,415</b>	<b>(859,791)</b>	<b>(703,588)</b>	<b>(223,577)</b>	<b>548</b>	<b>2,405</b>	

*(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:

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

*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.

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

*(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 30 June 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.

	<i>As at 30 June 2016</i>		<i>As at 31 December 2015</i>	
	<i>BYR/USD</i>	<i>BYR/USD</i>	<i>BYR/USD</i>	<i>BYR/USD</i>
	<i>+30%</i>	<i>-15%</i>	<i>+60%</i>	<i>-15%</i>
Impact on profit or loss	(257,937)	128,969	(608,041)	152,010
Impact on comprehensive income	(257,937)	128,969	(608,041)	152,010

	<i>As at 30 June 2016</i>		<i>As at 31 December 2015</i>	
	<i>BYR/EUR</i>	<i>BYR/EUR</i>	<i>BYR/EUR</i>	<i>BYR/EUR</i>
	<i>+30%</i>	<i>-15%</i>	<i>+60%</i>	<i>-30%</i>
Impact on profit or loss	(211,076)	105,538	(212,492)	106,246
Impact on comprehensive income	(211,076)	105,538	(212,492)	106,246

	<i>As at 30 June 2016</i>		<i>As at 31 December 2015</i>	
	<i>BYR/RUB</i>	<i>BYR/RUB</i>	<i>BYR/RUB</i>	<i>BYR/RUB</i>
	<i>+37%</i>	<i>-30%</i>	<i>+37%</i>	<i>-30%</i>
Impact on profit or loss	(82,723)	67,073	(99,454)	80,639
Impact on comprehensive income	(82,723)	67,073	(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.

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*(in millions of Belarusian Roubles)*

## **29. Subsequent events**

On 1<sup>st</sup> July, 2016 belorussian rouble was denominated 10 000 BYR up to 1 BYN.  
On 17<sup>th</sup> August, 2016, the National Bank has reduced refinancing rate to 18%.