

**BPS-Sberbank**

**Interim Condensed  
Consolidated financial statements**

*for the 6 months ended 30 June 2017*

## Contents

### Report on review of interim condensed consolidated financial statements

Interim condensed consolidated statement of financial position .....	1
Interim condensed consolidated income statement .....	2
Interim condensed consolidated statement of comprehensive income .....	3
Interim condensed consolidated statement of changes in equity .....	4
Interim condensed consolidated statement of cash flows .....	5

### Notes to interim condensed consolidated financial statements

1. Organisation .....	7
2. Basis of presentation .....	8
3. Cash and cash equivalents .....	9
4. Due from banks .....	9
5. Derivative financial instruments .....	10
6. Loans to customers .....	11
7. Non-current assets held for sale .....	19
8. Investments available for sale .....	19
9. Investments held to maturity .....	19
10. Premises and equipment and intangible assets .....	19
11. Other assets .....	20
12. Due to banks .....	20
13. Due to individuals and due to corporate customers .....	21
14. Debt securities issued .....	22
15. Other liabilities .....	23
16. Share capital .....	24
17. Net interest income before loan impairment .....	24
18. Allowance for loan impairment, other provisions .....	25
19. Fee and commission income and expense .....	26
20. Net gain/(loss) on foreign exchange and precious metals operations .....	26
21. Other income .....	27
22. Operating expenses .....	27
23. Commitments and contingencies .....	27
24. Transactions with related parties .....	30
25. Segment reporting .....	32
26. Fair value measurement .....	35
27. Capital management .....	38
28. Risk management policies .....	39
29. Subsequent events .....	51

**Interim condensed consolidated statement of financial position  
as of 30 June 2017***(in thousands of Belarusian Rubles)*

	Notes	30 June 2017	31 December 2016
<b>Assets</b>			
Cash and cash equivalents	3	530,976	444,958
Mandatory cash balances with the National Bank of the Republic of Belarus		2,839	14,282
Due from banks	4	2,638	2,262
Derivative financial assets	5	193	685
Loans to corporate customers	6	1,504,451	1,785,480
Loans to individuals	6	263,761	180,082
Non-current assets held for sale	7	19,374	17,922
Investments available for sale	8	757,930	910,548
Investments held to maturity	9	1,570	1,061
Investments in associates		7,159	10,564
Premises and equipment	10	153,353	156,587
Intangible assets	10	46,735	44,144
Other financial assets	11	30,902	27,374
Other non-financial assets	11	42,121	45,830
<b>Total assets</b>		<b>3,364,002</b>	<b>3,641,779</b>
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Loans from the National bank of the Republic of Belarus		514	604
Due to banks	12	302,518	348,354
Derivative financial liabilities	5	13,342	2,103
Due to individuals	13	1,320,969	1,488,482
Due to corporate customers	13	848,736	960,709
Debt securities issued	14	114,698	121,845
Current income tax liabilities		8,608	83
Deferred income tax liabilities		16,658	23,806
Provisions for guarantees and other commitments	18	–	100
Other financial liabilities	15	16,373	16,991
Other non-financial liabilities	15	6,695	7,821
Subordinated debt		143,572	132,925
<b>Total liabilities</b>		<b>2,792,683</b>	<b>3,103,823</b>
<b>Equity</b>			
Share capital	16	321,756	321,756
Share premium		576	576
Revaluation reserve for office premises and assets held for sale		33,271	33,516
Fair value reserve for investments available for sale		2,085	1,723
Retained earnings		213,631	180,385
<b>Total equity attributable to shareholders of the Bank</b>		<b>571,319</b>	<b>537,956</b>
Non-controlling interest		–	–
<b>Total equity</b>		<b>571,319</b>	<b>537,956</b>
<b>Total liabilities and equity</b>		<b>3,364,002</b>	<b>3,641,779</b>

**Signed and authorized for release**


---

 Vice-Chairwoman of the Board  
Liliya M. Astapovich

 25 August 2017  
Minsk

---

 Chief Accountant  
Nina N. Ilyukevich

 25 August 2017  
Minsk

**Interim condensed consolidated income statement  
for the 6 months ended 30 June 2017***(in thousands of Belarusian Rubles)*

	<i>Notes</i>	<b>3 months ended 30 June 2017</b>	<b>3 months ended 30 June 2016</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
Interest income	17	59,019	153,812	192,364	299,041
Interest expense	17	(22,669)	(56,388)	(52,122)	(124,964)
Contributions to deposits protection fund	17	(1,877)	(2,545)	(3,854)	(5,338)
<b>Net interest income before provision for impairment losses on interest bearing assets</b>	17	<b>34,473</b>	<b>94,879</b>	<b>136,388</b>	<b>168,739</b>
Allowance for impairment losses on interest bearing assets	18	(37,077)	(72,845)	(79,145)	(176,235)
<b>Net interest (expense)/income</b>		<b>(2,604)</b>	<b>22,034</b>	<b>57,243</b>	<b>(7,496)</b>
Fee and commission income	19	38,063	44,790	74,297	83,609
Fee and commission expense	19	(9,794)	(9,934)	(17,371)	(18,368)
Net losses arising from investment securities available for sale		(32)	(43)	(158)	(43)
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange unrealised losses	20	35,426	10,958	14,273	35,093
Net (losses)/gains arising from operations with precious metals and precious metals derivatives	20	(1,737)	697	1,857	(3,675)
Reversal of impairment of non-current assets held for sale		115	55	115	54
Reversal of other provisions /(other provisions)	18	84	(59)	100	683
Other income	21	3,389	5,315	5,987	5,835
<b>Net non-interest income</b>		<b>65,514</b>	<b>51,779</b>	<b>79,100</b>	<b>103,188</b>
<b>Operating income</b>		<b>62,910</b>	<b>73,813</b>	<b>136,343</b>	<b>95,692</b>
<b>Operating expenses</b>	22	<b>(53,258)</b>	<b>(48,473)</b>	<b>(99,560)</b>	<b>(87,616)</b>
Share of results of an associate		(797)	639	(640)	1,314
<b>Profit before income taxes</b>		<b>8,855</b>	<b>25,979</b>	<b>36,143</b>	<b>9,390</b>
Income tax expenses		77	(4,347)	(3,098)	(299)
<b>Net profit</b>		<b>8,932</b>	<b>21,632</b>	<b>33,045</b>	<b>9,091</b>
Attributable to:					
Shareholders of the parent Bank		8,932	21,632	33,045	9,091
Non-controlling interest		–	–	–	–
<b>Net profit</b>		<b>8,932</b>	<b>21,632</b>	<b>33,045</b>	<b>9,091</b>

**Signed and authorized for release**


---

 Vice-Chairwoman of the Board  
Liliya M. Astapovich
25 August 2017  
Minsk

---

 Chief Accountant  
Nina N. Ilyukevich
25 August 2017  
Minsk

## Interim condensed consolidated statement of comprehensive income for the 6 months ended 30 June 2017

(in thousands of Belarusian Rubles)

Notes	3 months ended 30 June 2017	3 months ended 30 June 2016	6 months ended 30 June 2017	6 months ended 30 June 2016
<b>Net profit</b>	<b>8,932</b>	<b>21,632</b>	<b>33,045</b>	<b>9,091</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	159	(64)	204	(39)
Reclassification adjustments for losses included in profit from comprehensive income on disposal of investments available for sale	32	43	158	43
<b>Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods</b>	<b>191</b>	<b>(21)</b>	<b>362</b>	<b>4</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	–	–	–	(15)
<b>Net other comprehensive loss not being reclassified to profit or loss in subsequent periods</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(15)</b>
<b>Other comprehensive income/(loss)</b>	<b>191</b>	<b>(21)</b>	<b>362</b>	<b>(11)</b>
<b>Total comprehensive income</b>	<b>9,123</b>	<b>21,611</b>	<b>33,407</b>	<b>9,080</b>
Attributable to:				
Shareholders of the parent	9,123	21,611	33,407	9,080
Minority interest	–	–	–	–
<b>Total comprehensive income</b>	<b>9,123</b>	<b>21,611</b>	<b>33,407</b>	<b>9,080</b>

## Interim condensed consolidated statement of changes in equity for the 6 months ended 30 June 2017

(in thousands of Belarusian Rubles)

	Notes	Share capital	Share premium	Revaluation reserve for office premises	Investments available for sale fair value deficit	Retained earnings	Total equity attributable to shareholders of the Bank	Non-controlling interest	Total equity
<b>31 December 2015</b>		<b>321,756</b>	<b>576</b>	<b>26,728</b>	<b>1,671</b>	<b>102,143</b>	<b>452,874</b>	<b>-</b>	<b>452,874</b>
Gain for the period		-	-	-	-	9,091	9,091	-	9,091
Other comprehensive loss for the period		-	-	(15)	4	-	(11)	-	(11)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(15)</b>	<b>4</b>	<b>9,091</b>	<b>9,080</b>	<b>-</b>	<b>9,080</b>
Amortisation of revaluation reserve for premises, net of tax		-	-	(869)	-	869	-	-	-
Dividends	16	-	-	-	-	(44)	(44)	-	(44)
<b>30 June 2016</b>		<b>321,756</b>	<b>576</b>	<b>25,844</b>	<b>1,675</b>	<b>112,059</b>	<b>461,910</b>	<b>-</b>	<b>461,910</b>
<b>31 December 2016</b>		<b>321,756</b>	<b>576</b>	<b>33,516</b>	<b>1,723</b>	<b>180,385</b>	<b>537,956</b>	<b>-</b>	<b>537,956</b>
Gain for the period		-	-	-	-	33,045	33,045	-	33,045
Other comprehensive income for the period		-	-	-	362	-	362	-	362
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>362</b>	<b>33,045</b>	<b>33,407</b>	<b>-</b>	<b>33,407</b>
Amortisation of revaluation reserve for premises, net of tax		-	-	(239)	-	239	-	-	-
Disposal of premises		-	-	(6)	-	6	-	-	-
Dividends	16	-	-	-	-	(44)	(44)	-	(44)
<b>30 June 2017</b>		<b>321,756</b>	<b>576</b>	<b>33,271</b>	<b>2,085</b>	<b>213,631</b>	<b>571,319</b>	<b>-</b>	<b>571,319</b>

**Interim condensed consolidated statement of cash flows  
for the 6 months ended 30 June 2017***(in thousands of Belarusian Rubles)*

	<b>Notes</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
<b>Cash flows from operating activities</b>			
Interest income		199,239	241,709
Interest expense		(51,780)	(131,097)
Fee and commission income		74,120	84,270
Fee and commission expense		(17,577)	(18,245)
Net gain/(loss) on foreign exchange operations		10,827	(13,087)
Net gain on derivative financial instruments		(9,270)	344,537
Net loss on disposal of investments available for sale		(158)	(43)
Net gain on precious metals		6,297	12,340
Other income		4,530	5,222
Operating expenses		(90,244)	(82,540)
Income taxes (paid)/ received		(1,721)	2,694
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>124,263</b>	<b>445,760</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		11,443	554
Due from banks		713	8,694
Loans to corporate customers		240,673	241,534
Loans to individuals		(84,465)	8,218
Other assets		(2,708)	(1,711)
<i>Increase/(decrease) in operating liabilities:</i>			
Loans from the National Bank of the Republic of Belarus		(86)	(31,771)
Due to banks		(94,308)	(542,360)
Due to individuals		(170,996)	(220,272)
Due to corporate customers		(120,096)	(138,990)
Debt securities issued		(8,648)	(66,087)
Other liabilities		(1,738)	(1,609)
<b>Net cash outflow from operating activities</b>		<b>(105,953)</b>	<b>(298,040)</b>

**Interim condensed consolidated statement of cash flows**  
**for the 6 months ended 30 June 2017 (continued)**

	<b>Notes</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
<b>Cash flows from investing activities</b>			
Purchase of premises, equipment and intangible assets		(9,234)	(18,274)
Proceeds from sale of premises and equipment		2,150	450
Proceeds from disposals of assets held for sale		1,831	3,080
Purchase of investments available for sale		(188,829)	–
Proceeds from sale of investments available for sale		378,835	196,598
Purchase of investments held to maturity		(502)	–
Dividends received		2,760	978
<b>Net cash inflow from investing activities</b>		<b>187,011</b>	<b>182,832</b>
<b>Cash flows from financing activities</b>			
Subordinated debt		–	35,475
Dividends		(44)	(44)
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(44)</b>	<b>35,431</b>
Effect of changes in foreign exchange rates on cash and cash equivalents		5,004	24,304
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>81,014</b>	<b>(79,777)</b>
Cash and cash equivalents, beginning of the period	3	<b>444,958</b>	<b>615,887</b>
<b>Cash and cash equivalents, end of the period</b>	<b>3</b>	<b>530,976</b>	<b>560,414</b>



*(in thousands of Belarusian Rubles)***1. Organisation**

Open Joint-Stock Company "BPS-Sberbank" (previous name – "BPS-Bank"), or OJSC BPS-Sberbank (the "Bank"), was established from the Belarusian branch of Promstroibank USSR and registered with the National Bank of the Republic of Belarus (the National Bank) as a closed joint-stock company on 28 December 1991. On 17 February 1993 the Bank was reorganized into an open joint stock company and accordingly registered by the National Bank. The Bank conducts its business under License of the National Bank for performing banking operations No. 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, 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 2017 the Bank had 1 representative office in the Republic of Poland, Warsaw, 6 regional directories, 27 universal additional offices, 28 basic additional offices.

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 2017</b>	<b>31 December 2016</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
Closed Joint Stock Company "BPS-Leasing"	Republic of Belarus	99.90	49.00	Finance lease activities
<b>Associates</b>				
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 6 months, ended 30 June 2017, and 6 months, ended 30 June 2016 was 2,498 and 3,876 persons, respectively.

As at 30 June 2017 and 31 December 2016 the following shareholders owned the issued shares of the Bank:

<b>Shareholder</b>	<b>30 June 2017, %</b>	<b>31 December 2016, %</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.

These interim condensed consolidated financial statements were authorized for issue on 25 August 2017.

*(in thousands of Belarusian Rubles)***2. Basis of presentation****Accounting basis**

These interim condensed consolidated financial statements of the Group for 6 months ended 30 June 2017 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 2016.

These interim condensed consolidated financial statements are presented in thousands of Belarusian roubles (BYN), 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 2017</u>	<u>31 December 2016</u>
BYN/ USD	1.9336	1.9585
BYN/ EUR	2.2088	2.0450
BYN/ RUB	0.032737	0.032440

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 2016.

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.

On 1<sup>st</sup> July, 2016 Belarusian rouble was denominated 10,000 BYR up to 1 BYN.

*(in thousands of Belarusian Rubles)***3. Cash and cash equivalents**

	<b>30 June 2017</b>	<b>31 December 2016</b>
Time deposits with the National Bank	173,038	129,578
Cash	80,097	78,978
Current accounts with the National Bank	28,675	143,819
<b>Correspondent accounts and placements with other banks:</b>		
- Belarus	21,319	5,887
- Other countries	220,267	79,844
Settlements with non-bank financial institutions	7,580	6,852
<b>Total cash and cash equivalents</b>	<b>530,976</b>	<b>444,958</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 four large foreign banks at 30 June 2017 amounted BYN 186,679 thousand or 84.8% of the balance on correspondent accounts and placements with banks of other countries. As at 31 December 2016 the balance on correspondent accounts of three large foreign banks amounted BYN 57,502 thousand or 72.0% 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 2017 made on the basis of ratings of international rating agencies is as follows:

	<i>Investment rating</i>	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
<b>Correspondent accounts and placements with other banks:</b>				
- Belarus	–	21,236	83	<b>21,319</b>
- Other countries	143,056	76,732	479	<b>220,267</b>
<b>Total</b>	<b>143,056</b>	<b>97,968</b>	<b>562</b>	<b>241,586</b>

Analysis by credit quality of the balances with counterparty banks as at 31 December 2016 made on the basis of ratings of international rating agencies is as follows:

	<i>Investment rating</i>	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
<b>Correspondent accounts and placements with other banks:</b>				
- Belarus	–	5,799	88	<b>5,887</b>
- Other countries	67,020	11,413	1,411	<b>79,844</b>
<b>Total</b>	<b>67,020</b>	<b>17,212</b>	<b>1,499</b>	<b>85,731</b>

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

As at 30 June 2017 and 31 December 2016 all cash and cash equivalents are neither past due nor impaired.

**4. Due from banks**

Due from banks comprise:

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Time deposits and loans to banks:</b>		
- Belarus	2,296	2,251
- Other countries	342	11
<b>Total due from banks</b>	<b>2,638</b>	<b>2,262</b>

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

*(in thousands of Belarusian Rubles)***4. Due from banks (continued)**

Analysis by credit quality of the balances with counterparty banks as at 30 June 2017 made on the basis of ratings of international rating agencies is as follows:

	<i>Investment rating</i>	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
<b>Time deposits and loans to banks:</b>				
- Belarus	–	1,756	540	<b>2,296</b>
- Other countries	342	–	–	<b>342</b>
<b>Total</b>	<b>342</b>	<b>1,756</b>	<b>540</b>	<b>2,638</b>

Analysis by credit quality of the balances with counterparty banks as at 31 December 2016 made on the basis of ratings of international rating agencies is as follows:

	<i>Investment rating</i>	<i>Speculative rating</i>	<i>Not rated</i>	<i>Total</i>
<b>Time deposits and loans to banks:</b>				
- Belarus	–	1,737	514	<b>2,251</b>
- Other countries	11	–	–	<b>11</b>
<b>Total</b>	<b>11</b>	<b>1,737</b>	<b>514</b>	<b>2,262</b>

As at 30 June 2017 and 31 December 2016 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 BYN 1,136 thousand and BYN 1,737 thousand, respectively, with maturities of 7 and 12 years and interest rate amounting to the refinancing rate of the National Bank.

**5. Derivative financial instruments**

As at 30 June 2017 and 31 December 2016 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 2017</i>	
		<i>Asset</i>	<i>Liability</i>
RUB/EUR foreign currency forward	RUB 1,218,600,000	135	–
RUB/USD foreign currency forward	RUB 323,830,560	57	–
USD/PLN foreign currency forward	USD 403,957	1	–
XAU/USD precious metals forward	XAU 2,240	–	–
PLN/USD foreign currency forward	PLN 140,000	–	–
PLN/BYN foreign currency forward	PLN 2,000	–	–
USD/RUB foreign currency forward	USD 550,000	–	4
USD/BYN foreign currency forward	USD 2,400,000	–	18
USD/EUR foreign currency forward	USD 127,479,616	–	13,320
<b>Total derivative financial instruments</b>		<b>193</b>	<b>13,342</b>

<i>Derivative type</i>	<i>Nominal amount (in units of currency to be purchased)</i>	<i>Fair value as at 31 December 2016</i>	
		<i>Asset</i>	<i>Liability</i>
XAU/USD precious metals forward	XAU 746,484	292	–
USD/EUR foreign currency forward	USD 118,448,020	290	1,294
XAG/USD precious metals forward	XAG 3,732,420	38	–
USD/RUB foreign currency swap	USD 62,650,000	30	791
RUB/USD foreign currency forward	RUB 44,607,128	25	–
RUB/EUR foreign currency forward	RUB 24,255,900	10	–
EUR/BYN foreign currency forward	EUR 100,000	–	2
EUR/USD foreign currency forward	EUR 250,000	–	6
EUR/RUB foreign currency forward	EUR 200,000	–	10
<b>Total derivative financial instruments</b>		<b>685</b>	<b>2,103</b>

*(in thousands of Belarusian Rubles)***6. Loans to customers**

The tables below show credit quality of the Group's loan portfolio by loan classes as at 30 June 2017 and 31 December 2016.

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 2017</b>	<b>Not past due loans</b>	<b>Past due loans</b>	<b>Total</b>
Commercial loans to legal entities	764,525	157,002	921,527
Specialized loans to legal entities	731,236	227,000	958,236
Consumer and other loans to individuals	87,295	6,486	93,781
Credit cards and overdrafts	39,137	2,841	41,978
Mortgage loans to individuals	124,193	4,120	128,313
Car loans to individuals	11,254	474	11,728
<b>Total loans to customers before allowance for loan impairment</b>	<b>1,757,640</b>	<b>397,923</b>	<b>2,155,563</b>
Less: allowance for loan impairment	(174,790)	(212,561)	(387,351)
<b>Total loans to customers net of allowance for loan impairment</b>	<b>1,582,850</b>	<b>185,362</b>	<b>1,768,212</b>

<b>31 December 2016</b>	<b>Not past due loans</b>	<b>Past due loans</b>	<b>Total</b>
Commercial loans to legal entities	838,307	186,703	1,025,010
Specialized loans to legal entities	874,446	305,573	1,180,019
Consumer and other loans to individuals	73,676	6,198	79,874
Credit cards and overdrafts	34,647	2,554	37,201
Mortgage loans to individuals	63,922	3,538	67,460
Car loans to individuals	6,353	450	6,803
<b>Total loans to customers before allowance for loan impairment</b>	<b>1,891,351</b>	<b>505,016</b>	<b>2,396,367</b>
Less: allowance for loan impairment	(178,793)	(252,012)	(430,805)
<b>Total loans to customers net of allowance for loan impairment</b>	<b>1,712,558</b>	<b>253,004</b>	<b>1,965,562</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 thousands of Belarusian Rubles)***6. Loans to customers (continued)**

The table below shows the analysis of loans and allowance for loan impairment as at 30 June 2017:

	<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 loans with impairment rate less than 3% and collectively assessed loans</i>				
Not past due	514,037	(21,317)	492,720	4.1%
Loans up to 30 days overdue	7,893	(111)	7,782	1.4%
Loans 31 to 60 days overdue	3,402	(160)	3,242	4.7%
Loans 61 to 90 days overdue	1,450	(30)	1,420	2.1%
Loans 91 up to 180 days overdue	15,885	(1,716)	14,169	10.8%
Loans over 180 days overdue	14,210	(6,426)	7,784	45.2%
<b>Total individually assessed loans with impairment rate less than 3% and collectively assessed loans</b>	<b>556,877</b>	<b>(29,760)</b>	<b>527,117</b>	<b>5.3%</b>
<b>Individually impaired</b>				
Not past due	250,488	(44,512)	205,976	17.8%
Loans up to 30 days overdue	-	-	-	-
Loans 31 to 60 days overdue	-	-	-	-
Loans 61 to 90 days overdue	7,860	(2,018)	5,842	25.7%
Loans 91 up to 180 days overdue	1,662	(301)	1,361	18.1%
Loans over 180 days overdue	104,640	(70,807)	33,833	67.7%
<b>Total individually impaired loans</b>	<b>364,650</b>	<b>(117,638)</b>	<b>247,012</b>	<b>32.3%</b>
<b>Total commercial loans to legal entities</b>	<b>921,527</b>	<b>(147,398)</b>	<b>774,129</b>	<b>16.0%</b>
<b>Specialized loans to legal entities</b>				
<i>Individually assessed loans with impairment rate less than 3% and collectively assessed loans</i>				
Not past due	203,682	(15,839)	187,843	7.8%
Loans up to 30 days overdue	394	(64)	330	16.2%
Loans 31 to 60 days overdue	24	(1)	23	4.2%
Loans 61 to 90 days overdue	814	(24)	790	2.9%
Loans 91 up to 180 days overdue	20,495	(1,523)	18,972	7.4%
Loans over 180 days overdue	3,317	(548)	2,769	16.5%
<b>Total individually assessed loans with impairment rate less than 3% and collectively assessed loans</b>	<b>228,726</b>	<b>(17,999)</b>	<b>210,727</b>	<b>7.9%</b>
<b>Individually impaired</b>				
Not past due	527,554	(89,479)	438,075	17.0%
Loans up to 30 days overdue	14,886	(3,159)	11,727	21.2%
Loans 31 to 60 days overdue	7	(7)	-	100.0%
Loans 61 to 90 days overdue	12,959	(4,762)	8,197	36.7%
Loans 91 up to 180 days overdue	16,912	(7,446)	9,466	44.0%
Loans over 180 days overdue	157,192	(105,062)	52,130	66.8%
<b>Total individually impaired loans</b>	<b>729,510</b>	<b>(209,915)</b>	<b>519,595</b>	<b>28.8%</b>
<b>Total specialized loans to legal entities</b>	<b>958,236</b>	<b>(227,914)</b>	<b>730,322</b>	<b>23.8%</b>
<b>Total loans to legal entities</b>	<b>1,879,763</b>	<b>(375,312)</b>	<b>1,504,451</b>	<b>20.0%</b>

*(in thousands of Belarusian Rubles)***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	87,295	(239)	87,056	0.3%
Loans up to 30 days overdue	1,267	(226)	1,041	17.8%
Loans 31 to 60 days overdue	318	(157)	161	49.4%
Loans 61 to 90 days overdue	139	(139)	–	100.0%
Loans 91 up to 180 days overdue	326	(326)	–	100.0%
Loans over 180 days overdue	4,436	(4,436)	–	100.0%
<b>Total consumer and other loans to individuals</b>	<b>93,781</b>	<b>(5,523)</b>	<b>88,258</b>	<b>5.9%</b>
<b>Credit cards and overdrafts</b>				
<i>Collectively assessed</i>				
Not past due	39,137	(3,034)	36,103	7.8%
Loans up to 30 days overdue	2,841	(220)	2,621	7.7%
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>41,978</b>	<b>(3,254)</b>	<b>38,724</b>	<b>7.8%</b>
<b>Mortgage loans to individuals</b>				
<i>Collectively assessed</i>				
Not past due	124,193	(351)	123,842	0.3%
Loans up to 30 days overdue	1,683	(265)	1,418	15.7%
Loans 31 to 60 days overdue	370	(213)	157	57.6%
Loans 61 to 90 days overdue	243	(241)	2	99.2%
Loans 91 up to 180 days overdue	457	(457)	–	100.0%
Loans over 180 days overdue	1,367	(1,367)	–	100.0%
<b>Total mortgage loans to individuals</b>	<b>128,313</b>	<b>(2,894)</b>	<b>125,419</b>	<b>2.3%</b>
<b>Car loans to individuals</b>				
<i>Collectively assessed</i>				
Not past due	11,254	(19)	11,235	0.2%
Loans up to 30 days overdue	126	(14)	112	11.1%
Loans 31 to 60 days overdue	14	(5)	9	35.7%
Loans 61 to 90 days overdue	14	(10)	4	71.4%
Loans 91 up to 180 days overdue	17	(17)	–	100.0%
Loans over 180 days overdue	303	(303)	–	100.0%
<b>Total car loans to individuals</b>	<b>11,728</b>	<b>(368)</b>	<b>11,360</b>	<b>3.1%</b>
<b>Total loans to individuals</b>	<b>275,800</b>	<b>(12,039)</b>	<b>263,761</b>	<b>4.4%</b>
<b>Total loans and advances to customers as at 30 June 2017</b>	<b>2,155,563</b>	<b>(387,351)</b>	<b>1,768,212</b>	<b>18.0%</b>

*(in thousands of Belarusian Rubles)***6. Loans to customers (continued)**

The table below shows the analysis of loans and allowance for loan impairment as at 31 December 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 loans with impairment rate less than 3% and collectively assessed loans</i>				
Not past due	492,282	(11,015)	481,267	2.2%
Loans up to 30 days overdue	6,932	(176)	6,756	2.5%
Loans 31 to 60 days overdue	12,955	(425)	12,530	3.3%
Loans 61 to 90 days overdue	7,216	(186)	7,030	2.6%
Loans 91 up to 180 days overdue	10,285	(396)	9,889	3.9%
Loans over 180 days overdue	16,899	(3,603)	13,296	21.3%
<b>Total individually assessed loans with impairment rate less than 3% and collectively assessed loans</b>	<b>546,569</b>	<b>(15,801)</b>	<b>530,768</b>	<b>2.9%</b>
<b>Individually impaired</b>				
Not past due	346,025	(44,345)	301,680	12.8%
Loans up to 30 days overdue	108	(69)	39	63.9%
Loans 31 to 60 days overdue	1,067	(388)	679	36.4%
Loans 61 to 90 days overdue	9,921	(2,711)	7,210	27.3%
Loans 91 up to 180 days overdue	11,902	(3,758)	8,144	31.6%
Loans over 180 days overdue	109,418	(57,964)	51,454	53.0%
<b>Total individually impaired loans</b>	<b>478,441</b>	<b>(109,235)</b>	<b>369,206</b>	<b>22.8%</b>
<b>Total commercial loans to legal entities</b>	<b>1,025,010</b>	<b>(125,036)</b>	<b>899,974</b>	<b>12.2%</b>
<b>Specialized loans to legal entities</b>				
<i>Individually assessed loans with impairment rate less than 3% and collectively assessed loans</i>				
Not past due	234,161	(16,709)	217,452	7.1%
Loans up to 30 days overdue	-	-	-	-
Loans 31 to 60 days overdue	3,330	(90)	3,240	2.7%
Loans 61 to 90 days overdue	629	(9)	620	1.4%
Loans 91 up to 180 days overdue	3,191	(182)	3,009	5.7%
Loans over 180 days overdue	14,510	(2,472)	12,038	17.0%
<b>Total individually assessed loans with impairment rate less than 3% and collectively assessed loans</b>	<b>255,821</b>	<b>(19,462)</b>	<b>236,359</b>	<b>7.6%</b>
<b>Individually impaired</b>				
Not past due	640,285	(103,595)	536,690	16.2%
Loans up to 30 days overdue	-	-	-	-
Loans 31 to 60 days overdue	11,467	(1,433)	10,034	12.5%
Loans 61 to 90 days overdue	14,048	(5,244)	8,804	37.3%
Loans 91 up to 180 days overdue	3,200	(1,236)	1,964	38.6%
Loans over 180 days overdue	255,198	(163,543)	91,655	64.1%
<b>Total individually impaired loans</b>	<b>924,198</b>	<b>(275,051)</b>	<b>649,147</b>	<b>29.8%</b>
<b>Total specialized loans to legal entities</b>	<b>1,180,019</b>	<b>(294,513)</b>	<b>885,506</b>	<b>25.0%</b>
<b>Total loans to legal entities</b>	<b>2,205,029</b>	<b>(419,549)</b>	<b>1,785,480</b>	<b>19.0%</b>



*(in thousands of Belarusian Rubles)***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	73,676	(177)	73,499	0.2%
Loans up to 30 days overdue	912	(127)	785	13.9%
Loans 31 to 60 days overdue	304	(145)	159	47.7%
Loans 61 to 90 days overdue	176	(176)	-	100.0%
Loans 91 up to 180 days overdue	505	(505)	-	100.0%
Loans over 180 days overdue	4,301	(4,301)	-	100.0%
<b>Total consumer and other loans to individuals</b>	<b>79,874</b>	<b>(5,431)</b>	<b>74,443</b>	<b>6.8%</b>
<b>Credit cards and overdrafts</b>				
<i>Collectively assessed</i>				
Not past due	34,647	(2,704)	31,943	7.8%
Loans up to 30 days overdue	2,554	(199)	2,355	7.8%
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>37,201</b>	<b>(2,903)</b>	<b>34,298</b>	<b>7.8%</b>
<b>Mortgage loans to individuals</b>				
<i>Collectively assessed</i>				
Not past due	63,922	(237)	63,685	0.4%
Loans up to 30 days overdue	1,351	(239)	1,112	17.7%
Loans 31 to 60 days overdue	356	(232)	124	65.2%
Loans 61 to 90 days overdue	224	(217)	7	96.9%
Loans 91 up to 180 days overdue	349	(349)	-	100.0%
Loans over 180 days overdue	1,258	(1,258)	-	100.0%
<b>Total mortgage loans to individuals</b>	<b>67,460</b>	<b>(2,532)</b>	<b>64,928</b>	<b>3.8%</b>
<b>Car loans to individuals</b>				
<i>Collectively assessed</i>				
Not past due	6,353	(11)	6,342	0.2%
Loans up to 30 days overdue	58	(6)	52	10.3%
Loans 31 to 60 days overdue	31	(12)	19	38.7%
Loans 61 to 90 days overdue	20	(20)	-	100.0%
Loans 91 up to 180 days overdue	51	(51)	-	100.0%
Loans over 180 days overdue	290	(290)	-	100.0%
<b>Total car loans to individuals</b>	<b>6,803</b>	<b>(390)</b>	<b>6,413</b>	<b>5.7%</b>
<b>Total loans to individuals</b>	<b>191,338</b>	<b>(11,256)</b>	<b>180,082</b>	<b>5.9%</b>
<b>Total loans and advances to customers as at 31 December 2016</b>	<b>2,396,367</b>	<b>(430,805)</b>	<b>1,965,562</b>	<b>18.0%</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 thousands of Belarusian Rubles)***6. Loans to customers (continued)**

As at 30 June 2017 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	136,397	(79,250)	57,147	58.1%
Specialised loans to legal entities	197,916	(114,579)	83,337	57.9%
Consumer and other loans to individuals	4,762	(4,762)	–	100.0%
Mortgage loans to individuals	1,824	(1,824)	–	100.0%
Car loans to individuals	320	(320)	–	100.0%
<b>Total non-performing loans to customers as at 30 June 2017</b>	<b>341,219</b>	<b>(200,735)</b>	<b>140,484</b>	<b>58.8%</b>

As at 31 December 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	148,504	(65,721)	82,783	44.3%
Specialised loans to legal entities	276,099	(167,433)	108,666	60.6%
Consumer and other loans to individuals	4,806	(4,806)	–	100.0%
Mortgage loans to individuals	1,607	(1,607)	–	100.0%
Car loans to individuals	341	(341)	–	100.0%
<b>Total non-performing loans to customers as at 31 December 2016</b>	<b>431,357</b>	<b>(239,908)</b>	<b>191,449</b>	<b>55.6%</b>

Movements in allowances for impairment losses for the periods ended 30 June 2017 and 30 June 2016 are disclosed in Note 18.

Information on loans which terms have been renegotiated, as at 30 June 2017 and 31 December 2016 is presented in the tables below. It shows the carrying amount for renegotiated loans by class.

	<b>30 June 2017</b>	<b>31 December 2016</b>
Commercial loans to legal entities	105,302	106,096
Specialised loans to legal entities	52,300	63,622
Mortgage loans to individuals	491	624
Consumer and other loans to individuals	105	104
Car loans to individuals	7	15
<b>Total renegotiated loans before allowance for loan impairment</b>	<b>158,205</b>	<b>170,461</b>

The loans to legal entities within the business size of borrowers as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Largest clients	445,691	645,999
Large clients	1,049,970	1,073,625
Medium business	160,701	216,385
Small business	223,401	269,020
<b>Total loans to legal entities before allowance for loan impairment</b>	<b>1,879,763</b>	<b>2,205,029</b>

*(in thousands of Belarusian Rubles)***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 2017 and 31 December 2016 is as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Gross investment in finance lease	99,267	125,956
Unearned future finance income on finance lease	(45,642)	(78,062)
<b>Net investment in finance lease before allowance for impairment</b>	<b>53,625</b>	<b>47,894</b>
Less allowance for impairment	(18,363)	(23,325)
<b>Net investment in finance lease after allowance for impairment</b>	<b>35,262</b>	<b>24,569</b>

The contractual maturity analysis of net investments in finance lease as at 30 June 2017 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	2,320	(84)	2,236
Later than 1 year but not later than 5 years	33,867	(13,163)	20,704
Later than 5 years	17,438	(5,116)	12,322
<b>Total as at 30 June 2017</b>	<b>53,625</b>	<b>(18,363)</b>	<b>35,262</b>

The contractual maturity analysis of net investments in finance lease as at 31 December 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	1,018	(496)	522
Later than 1 year but not later than 5 years	26,589	(12,949)	13,640
Later than 5 years	20,287	(9,880)	10,407
<b>Total as at 31 December 2016</b>	<b>47,894</b>	<b>(23,325)</b>	<b>24,569</b>

The analysis of minimal finance lease receivables as at 30 June 2017 and 31 December 2016 per contractual maturity is as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Not later than 1 year	10,962	11,710
Later than 1 year but not later than 5 years	66,511	65,585
Later than 5 years	21,794	48,661
<b>Total</b>	<b>99,267</b>	<b>125,956</b>

*(in thousands of Belarusian Rubles)***6. Loans to customers (continued)**

Economic sector risk concentrations within the customer loan portfolio as 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Real estate	446,047	20.7	597,949	24.9
Individuals	275,800	12.8	191,338	8.0
Trade and catering	250,353	11.6	366,439	15.3
Food	229,806	10.7	225,165	9.4
Machinery and equipment	213,139	9.9	235,232	9.8
Metallurgy	102,565	4.8	114,555	4.8
Agriculture	93,273	4.3	69,348	2.9
Financial services	83,430	3.9	82,788	3.5
Construction	77,527	3.6	69,483	2.9
Timber and woodworking industry	68,193	3.2	58,245	2.4
Chemical and oil refinery industry	52,108	2.4	68,872	2.9
Energy and fuel	40,128	1.9	48,227	2.0
Transport and communication	38,118	1.8	31,860	1.3
Building materials	37,293	1.7	59,306	2.5
Light industry	28,584	1.3	38,963	1.6
Mining	15,770	0.7	25,867	1.1
Other	103,429	4.7	112,730	4.7
<b>Total loans to customers before allowance for loan impairment</b>	<b>2,155,563</b>	<b>100.0</b>	<b>2,396,367</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 2017</b>	<b>31 December 2016</b>
Loans collateralized by real estate or rights thereon	612,992	1,077,860
Loans collateralized by equipment and rights thereon	736,015	410,677
Loans collateralized by lien over receivables	157,736	180,591
Loans collateralized by guarantees of enterprises	177,512	204,711
Loans collateralized by inventories	112,024	142,452
Loans collateralized by means of transport	90,244	108,112
Loans collateralized by guarantees of individuals	82,768	116,828
Loans collateralized by guarantees of the Government and local authorities	21,533	18,329
Loans collateralized by cash or guarantee deposits	8,816	10,988
Loans collateralized by other types of collateral	155,923	125,819
	<b>2,155,563</b>	<b>2,396,367</b>
Less allowance for loan impairment	(387,351)	(430,805)
<b>Total loans to customers</b>	<b>1,768,212</b>	<b>1,965,562</b>

As at 30 June 2017 the aggregated loan amount of 20 largest borrowers was BYN 975,074 thousand or 45.2% of the total gross loan portfolio of the Group (31 December 2016: BYN 1,077,388 thousand or 45.0%).

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

At the 30 June 2017 the Group has entered into Funded Participation Deals. As at 30 June 2017 The Group issued loans to its corporate customers funded by the banks of Sberbank of Russia Group in amount of BYN 1,288,433 thousand (31 December 2016: 1,484,635). As a result of the transfer of credit risks and rewards on related financial assets in the share 98.3%, 99% and 100% took place and respective part of loans to customers was derecognised. The rest of credit risks and rewards comprised BYN 6,555 thousand and BYN 6,550 thousand as at 30 June 2017 and 31 December 2016 respectively.

*(in thousands of Belarusian Rubles)***7. Non-current assets held for sale**

As at 30 June 2017 and 31 December 2016 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 Management has initiated an active programme to locate a buyer and complete the plan. The sale transactions for these assets are expected to be completed in 2017.

**8. Investments available for sale**

Investments available for sale comprise:

	<i>Interest to nominal</i>	<i>30 June 2017</i>	<i>Interest to nominal</i>	<i>31 December 2016</i>
Long-term government bonds in foreign currency	4.70%-9.75%	498,792	4.70%-10.00%	569,767
Short-term bonds of the National Bank in foreign currency	5.61%	108,050	5.20%	26,027
Short-term bonds of the National Bank in national currency	8.51%-8.95%	85,567	12.24%	249,598
Long-term government bonds in national currency	13.00%	60,718	18.00%	60,718
Shares	-	3,561	-	3,309
Bonds issued by municipalities	13.00%	1,242	18.00%	1,129
<b>Total investments available for sale</b>		<b>757,930</b>		<b>910,548</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 2017</i>
Bonds issued by municipalities	BYN	July 2020	13.00%	1,061
Bonds issued by the National Bank of the Republic of Belarus	BYN	August 2017	8.20%	509
<b>Total investments held to maturity</b>				<b>1,570</b>
	<i>Currency</i>	<i>Maturity date</i>	<i>Interest to nominal</i>	<i>31 December 2016</i>
Bonds issued by municipalities	BYN	July 2020	18.00%	1,061
<b>Total investments held to maturity</b>				<b>1,061</b>

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

For the 6 months ended 30 June 2017 the Group's premises, equipment, and intangible assets additions amounted to BYN 10,506 thousand (for the 6 months ended 30 June 2016 - BYN 13,234 thousand), disposals of premises and equipment amounted to BYN 779 thousand (for the 6 months ended 30 June 2016 - BYN 974 thousand).

As at 30 June 2017 included in computer equipment are fully depreciated items in the amount of BYN 12,963 thousand (31 December 2016: BYN 11,999 thousand), in vehicles in the amount of BYN 0 (31 December 2016: BYN 312 thousand) and in furniture and other assets in the amount of BYN 13,265 thousand (31 December 2016: BYN 13,273 thousand).

*(in thousands of Belarusian Rubles)***11. Other assets**

Other assets comprise:

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Other financial assets</b>		
Receivables on Group's cards settlements	25,584	22,167
Accrued income	4,127	4,483
Other accounts receivables due to business transactions to be settled in cash	1,169	632
Accounts receivables due to business transactions to be settled in cash		
Receivables from purchasers of Group's fixed assets	22	92
	<b>30,902</b>	<b>27,374</b>
<b>Other non-financial assets</b>		
Taxes recoverable and prepaid, other than income taxes	20,415	22,864
Precious metals	7,359	8,969
Premises in stock	4,905	4,905
Prepaid expenses	4,229	3,085
Inventory	363	277
Prepayments for premises, equipment and intangible assets	219	3,172
Other advances and prepayments	4,631	2,558
	<b>42,121</b>	<b>45,830</b>
<b>Total other assets</b>	<b>73,023</b>	<b>73,204</b>

**12. Due to banks**

Due to banks comprise:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Trade finance deals	144,962	119,496
Loans from banks and financial institutions	82,289	182,053
Correspondent accounts of banks	75,267	46,805
<b>Total due to banks</b>	<b>302,518</b>	<b>348,354</b>

As at 30 June 2017 a balance of due to banks amounting to BYN 131,632 thousand was to two counterparties, including BYN 70,835 thousand due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

As at 31 December 2016 a balance of due to banks amounting to BYN 157,203 thousand was to three counterparties, including BYN 70,596 thousand due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

*(in thousands of Belarusian Rubles)***13. Due to individuals and due to corporate customers**

Due to individuals and corporate customers comprise:

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Individuals:</b>		
- Current/demand accounts	288,818	239,478
- Term deposits	1,032,151	1,249,004
<b>Total due to individuals</b>	<b>1,320,969</b>	<b>1,488,482</b>
<b>Other corporate customers:</b>		
- Current/settlement accounts	392,476	364,380
- Term deposits	431,704	573,674
<b>Total due to other corporate customers</b>	<b>824,180</b>	<b>938,054</b>
<b>State and public organisations:</b>		
- Current/settlement accounts	16,157	13,140
- Term deposits	8,399	9,515
<b>Total due to state and public organisations</b>	<b>24,556</b>	<b>22,655</b>
<b>Total due to corporate customers</b>	<b>848,736</b>	<b>960,709</b>
<b>Total due to individuals and corporate customers</b>	<b>2,169,705</b>	<b>2,449,191</b>

As at 30 June 2017 included in due to corporate customers are deposits of BYN 10,257 thousand (31 December 2016: BYN 29,870 thousand) 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.

Since 1st April 2016 according to the Decree of the President of the Republic of Belarus of 11th November 2015 No. 7 *On Attracting Cash to Deposits* the income tax is levied upon the interest income of citizens received from bank deposits and cash on current bank accounts. Income tax is imposed on interest income from deposits with a repayment period of less than one year for deposits in belarusian rubles and less than two years for deposits in foreign currency if the interest rate on these accounts is higher than the rate on demand deposits.

As at 30 June 2017 the aggregated balances of 20 largest customers was BYN 267,140 thousand or 12.3% of total due to individuals and corporate customers (31 December 2016: BYN 327,629 thousand or 13.4%).

*(in thousands of Belarusian Rubles)***13. Due to individuals and due to corporate customers (continued)**

Industry sector concentrations within customer accounts are as follows:

	<b>30 June 2017</b>		<b>31 December 2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Individuals	1,320,969	60.9	1,488,482	60.8
Process industry	250,883	11.6	156,380	6.4
Trade	173,147	8.0	72,662	3.0
Construction	83,328	3.8	5,828	0.2
Scientific work	67,867	3.1	113,574	4.6
Transport	67,041	3.1	285,179	11.6
Energy	59,729	2.8	21,941	0.9
Communications	38,586	1.8	70,001	2.9
Mediation	22,210	1.0	65	0.0
Insurance and other financial services	15,174	0.7	7,381	0.3
Agriculture	11,277	0.5	39,418	1.6
Mining	9,254	0.4	4,343	0.2
Administrative services	9,033	0.4	2,296	0.1
Hotel business	8,220	0.4	26,194	1.1
Sport & art	5,216	0.2	32,751	1.3
Public health	4,504	0.2	6,602	0.3
State and government bodies	3,156	0.1	5,039	0.2
Education	3,141	0.1	15,238	0.6
Household	9	0.0	2,580	0.1
Other	16,961	0.9	93,237	3.8
<b>Total due to individuals and corporate customers</b>	<b>2,169,705</b>	<b>100.0</b>	<b>2,449,191</b>	<b>100.0</b>

**14. Debt securities issued**

Debt securities issued comprise:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Bonds issued to legal entities	113,572	121,269
Certificates of deposit	703	55
Bonds issued to individuals	423	521
<b>Total debt securities issued</b>	<b>114,698</b>	<b>121,845</b>

Bonds issued to legal entities are interest-bearing securities issued by the Group. They are denominated in BYN, USD, RUB and EUR and have maturity dates from "on demand" to December 2024 (31 December 2016: from "on demand" to December 2024). Interest rates on such bonds vary from 5-7.5% (for bonds in USD, EUR and RUB) 13% (for bonds in BYN) p.a. (31 December 2016: from 5-7.5% (for bonds in USD, EUR and RUB) to 18-20% (for bonds in BYN)).



*(in thousands of Belarusian Rubles)***15. Other liabilities**

Other liabilities comprise:

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Other financial liabilities</b>		
Payments due to other contractors	7,207	6,545
Unused leave and bonus accrual	5,739	6,334
Accrued contributions to deposits protection fund	1,917	2,185
Accrued fee payable under documentary transactions and transactions with plastic cards	1,184	1,428
Payables of dividends	5	5
Payables for finance lease	–	87
Payables for premises and equipment	–	7
Settlement accounts on other banking services	321	400
	<b>16,373</b>	<b>16,991</b>
<b>Other non-financial liabilities</b>		
Taxes payable, other than income taxes	5,942	6,688
Other	753	1,133
	<b>6,695</b>	<b>7,821</b>
<b>Total other liabilities</b>	<b>23,068</b>	<b>24,812</b>

There are no liabilities under finance lease agreements as at 30 June 2017.

Liabilities under finance lease agreements as at 31 December 2016 are analyzed as follows:

<b>31 December 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	63	51	–	<b>114</b>
Future finance costs	(20)	(7)	–	<b>(27)</b>
<b>Net liabilities under finance lease agreements</b>	<b>43</b>	<b>44</b>	<b>–</b>	<b>87</b>

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

<b>31 December 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	63	51	–	<b>114</b>
Present value of minimum lease payments	57	30	–	<b>87</b>

**16. Share capital**

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

	<b>Number of shares</b>		<b>Nominal amount, BYN</b>		<b>Hyperinflation adjustment</b>	<b>Total</b>
	<b>Preferred</b>	<b>Ordinary</b>	<b>Preferred</b>	<b>Ordinary</b>		
31 December 2016	870,805	1,470,828,888	0.05	0.05	248,171	<b>321,756</b>
30 June 2017	870,805	1,470,828,888	0.05	0.05	248,171	<b>321,756</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.

As at 31 December 2016 307 preference shares were repurchased by Group from shareholders and then canceled.

*(in thousands of Belarusian Rubles)***16. Share capital (continued)**

During the 6 months ended 30 June 2017 the Bank declared BYN 44 thousand dividends on preference shares for the year 2016. The dividends were BYN 0.05 per preference share.

During the 6 months ended 30 June 2016 the Bank declared BYN 44 thousand dividends on preference shares for the year 2015. The dividends were BYN 0.05 per preference share.

In accordance with Belarussian legislation, dividends may only be declared to the shareholders of the Group from retained undistributed earnings of previous years and net profit of the current period as shown in the Group's financial statements prepared in accordance with Belarusian GAAP. The Group had approximately BYN 56,944 thousand of net profit during the 6 months ended 30 June 2017 (BYN 2,278 thousand for the year, ended 31 December 2016).

**17. Net interest income before loan impairment**

The net interest income before allowance for loan impairment comprises:

	<b>3 months ended 30 June 2017</b>	<b>3 months ended 30 June 2016</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
<b>Interest income</b>				
Interest on loans to corporate customers	31,916	127,805	135,182	243,934
Interest on investments available for sale	13,627	13,071	30,999	28,084
Interest on loans to individuals	10,858	11,710	21,396	25,122
Interest on due from banks	2,574	1,166	4,699	1,775
Interest on investments held to maturity	44	60	88	126
<b>Total interest income</b>	<b>59,019</b>	<b>153,812</b>	<b>192,364</b>	<b>299,041</b>
<b>Interest expense</b>				
Interest on due to individuals	9,429	21,657	21,980	46,445
Interest on due to corporate customers	6,262	21,319	16,218	44,612
Interest on deposits from banks	2,937	7,986	5,811	18,148
Interest on Subordinated loan	2,193	733	4,255	2,796
Interest on debt securities issued to corporate customers	1,846	2,578	3,851	6,722
Interest on deposits from National Bank	2	2,115	7	6,130
Interest on debt securities issued to individuals	–	–	–	111
<b>Total interest expense</b>	<b>22,669</b>	<b>56,388</b>	<b>52,122</b>	<b>124,964</b>
Contributions to deposits protection fund	1,877	2,545	3,854	5,338
<b>Net interest income before allowance for loan impairment</b>	<b>34,473</b>	<b>94,879</b>	<b>136,388</b>	<b>168,739</b>

*(in thousands of Belarusian Rubles)***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</b>			<b>Total</b>
				<b>Credit cards and overdrafts</b>	<b>Mortgage loans</b>	<b>Car loans</b>	
<b>31 December 2015</b>	<b>146,310</b>	<b>233,221</b>	<b>4,773</b>	<b>1,503</b>	<b>2,409</b>	<b>402</b>	<b>388,618</b>
Allowance charge / (reversal of allowance) for the period	45,584	128,608	726	771	537	9	176,235
Recovery of loans previously written off	627	107	–	–	–	–	734
Amounts written off	(20,455)	(2,531)	–	–	–	–	(22,986)
<b>30 June 2016</b>	<b>172,066</b>	<b>359,405</b>	<b>5,499</b>	<b>2,274</b>	<b>2,946</b>	<b>411</b>	<b>542,601</b>
<b>31 December 2016</b>	<b>125,036</b>	<b>294,513</b>	<b>5,431</b>	<b>2,903</b>	<b>2,532</b>	<b>390</b>	<b>430,805</b>
Allowance charge / (reversal of allowance) for the period	73,078	5,284	92	351	362	(22)	79,145
Recovery of loans previously written off	1,016	434	–	–	–	–	1,450
Amounts written off	(51,732)	(72,317)	–	–	–	–	(124,049)
<b>30 June 2017</b>	<b>147,398</b>	<b>227,914</b>	<b>5,523</b>	<b>3,254</b>	<b>2,894</b>	<b>368</b>	<b>387,351</b>

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

	<b>Guarantees and other commitments</b>
<b>31 December 2015</b>	<b>1,063</b>
Reversal of provision	(683)
<b>30 June 2016</b>	<b>380</b>
<b>31 December 2016</b>	<b>100</b>
Reversal of provision	(100)
<b>30 June 2017</b>	<b>–</b>

*(in thousands of Belarusian Rubles)***19. Fee and commission income and expense**

Fee and commission income and expense comprise:

	<b>3 months ended 30 June 2017</b>	<b>3 months ended 30 June 2016</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
<b>Fee and commission income</b>				
Other operations with plastic cards	15,656	14,018	28,827	26,086
Settlement and cash operations with clients	7,274	8,502	14,541	16,535
Salary transfer on card accounts and related cash withdrawals	6,255	7,200	12,016	14,110
Cash delivery and collection	2,978	2,694	6,496	5,319
Documentary operations	2,309	3,332	4,569	6,960
Agent's fees	2,274	6,738	4,337	10,463
Foreign exchange operations	482	925	1,000	1,551
Securities operations	359	452	729	984
Settlements with banks	–	30	–	45
Other	476	899	1,782	1,556
<b>Total fee and commission income</b>	<b>38,063</b>	<b>44,790</b>	<b>74,297</b>	<b>83,609</b>
<b>Fee and commission expense</b>				
Plastic cards operations	7,483	6,681	12,677	11,411
Documentary operations	1,623	2,723	3,413	5,798
Correspondent bank services	251	177	503	312
Foreign exchange and cash operations	102	122	201	219
Cash delivery and collection	25	57	88	189
Other	310	174	489	439
<b>Total fee and commission expense</b>	<b>9,794</b>	<b>9,934</b>	<b>17,371</b>	<b>18,368</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 2017</b>	<b>3 months ended 30 June 2016</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
Net gains/(losses) arising from trading in foreign currencies	4,913	1,972	10,827	(13,087)
Net foreign exchange unrealised gains/(losses)	43,613	8,282	24,117	(5,467)
Net (losses)/ gains from operations with foreign currency derivatives	(13,100)	704	(20,671)	53,647
<b>Total net gain on foreign exchange operations</b>	<b>35,426</b>	<b>10,958</b>	<b>14,273</b>	<b>35,093</b>

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

	<b>3 months ended 30 June 2017</b>	<b>3 months ended 30 June 2016</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
Net (losses)/gains from operations with precious metals	(40)	2,425	6,297	12,340
Net result arising from revaluation of precious metals	(1,455)	(4,397)	(4,110)	(18,783)
Net (losses)/gains from operations with precious metals derivatives	(242)	2,669	(330)	2,768
<b>Total net (loss)/gain from operations with precious metals</b>	<b>(1,737)</b>	<b>697</b>	<b>1,857</b>	<b>(3,675)</b>

*(in thousands of Belarusian Rubles)***21. Other income**

Other income comprises:

	<b>3 months ended 30 June 2017</b>	<b>3 months ended 30 June 2016</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
Income from non-banking activities	1,264	1,395	1,686	1,896
Income from sale of premises, equipment and intangible assets	980	2,290	1,366	550
Penalties received	378	514	890	1,144
Income from operating leases	260	23	502	264
Income from sale of coins	127	93	153	501
Repayment of loans previously written off	91	1	286	2
Dividends received	89	60	91	63
Other	200	939	1,013	1,415
	<b>3,389</b>	<b>5,315</b>	<b>5,987</b>	<b>5,835</b>

**22. Operating expenses**

Operating expenses comprise:

	<b>3 months ended 30 June 2017</b>	<b>3 months ended 30 June 2016</b>	<b>6 months ended 30 June 2017</b>	<b>6 months ended 30 June 2016</b>
Staff costs	22,049	15,953	41,327	26,094
Social security contribution	5,071	4,244	9,892	6,616
Other staff expenses	651	299	1,180	503
<b>Personnel expenses</b>	<b>27,771</b>	<b>20,496</b>	<b>52,399</b>	<b>33,213</b>
Depreciation and amortization	4,958	4,803	9,316	10,507
Premises and equipment maintenance	3,617	5,815	8,688	6,435
Expenses on maintenance of banking software	3,526	2,648	6,309	9,028
Taxes, other than income taxes	2,512	2,275	5,239	4,671
Operating leases	2,330	5,526	4,184	11,092
Stationery	926	885	1,933	2,040
Public utilities payments	897	1,087	2,147	2,588
Security expenses	777	967	1,520	1,888
Communications	461	354	815	659
Vehicles maintenance and fuel expenses	408	364	723	656
Advertising costs	393	214	662	432
Legal and consulting services	342	393	647	679
Charity and sponsorship expenses	–	–	2	–
Other expenses	4,340	2,646	4,976	3,728
<b>Other operating expenses</b>	<b>25,487</b>	<b>27,977</b>	<b>47,161</b>	<b>54,403</b>
<b>Total operating expenses</b>	<b>53,258</b>	<b>48,473</b>	<b>99,560</b>	<b>87,616</b>

**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 BYN 100 thousand as at 31 December 2016 (Note 18).

*(in thousands of Belarusian Rubles)***23. Commitments and contingencies (continued)**

As at 30 June 2017 and 31 December 2016 the nominal or contract amounts of contingent liabilities were:

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Contingent liabilities and credit commitments</b>		
Commitments on loans and unused credit lines	313,460	179,803
Guarantees issued and similar commitments	104,280	66,778
Uncovered letters of credit	93,071	102,472
Letters of credit secured by cash	10,257	29,870
<b>Total contingent liabilities and credit commitments</b>	<b>521,068</b>	<b>378,923</b>

**Operating lease commitments**

Where the Group is the lessee, the future minimum lease payments under non-cancelable operating leases as at 30 June 2017 and 31 December 2016 are as follows:

	<b>30 June 2017</b>	<b>31 December 2016</b>
Not later than 1 year	10,177	9,395
Later than 1 year and not later than 5 years	32,538	29,733
Later than 5 years	17,324	18,514
<b>Total operating lease commitments</b>	<b>60,039</b>	<b>57,642</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 2017 and 31 December 2016 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

**Legislation**

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

**Operating environment**

In 2016, the National Bank of the Republic of Belarus (the "NBRB" or the "National Bank") continued to follow a policy of stabilizing the financial market. To increase the effectiveness of the refinancing rate used as the instrument of financial and monetary policy, starting from January 2016, the NBRB was gradually decreasing rates for liquidity management instruments from 25% to 18% at the end of the year. During 6 months ended 30.06.2017 the National Bank has reduced refinancing rate to 13%

In August 2016, the Management Board of the NBRB decided to reduce the rate for the mandatory sale of foreign currency proceeds from 30% to 20%.

Starting from 1 November 2016, the Management Board of the NBRB decided to change relative weights of foreign currencies included in the basket as follows: RUB – 50%, USD – 30% and EUR – 20%. This decision was made to gradually align relative weight of the Russian ruble in the basket of foreign currencies and Russia's share in Belarus' foreign trade, which accounts for about 50%.

*(in thousands of Belarusian Rubles)*

## **23. Commitments and contingencies (continued)**

### **Operating environment (continued)**

These measures taken by the NBRB had a positive impact on the stability of the Belarusian ruble. At year-end 2016, the national currency was devalued by 5.5%, 0.7% and 27.1% against the US dollar, the euro and the Russian ruble, respectively. In 2016, the overall decrease in GDP amounted to 2.6% as compared to its decrease by 3.8% in 2015.

Inflation processes slowed and the inflation rate for 2016 was 10.6% (2015: 12%).

In July 2016, the official currency unit of the Republic of Belarus, the Belarusian ruble, was redenominated at the rate of 10,000:1. The currently circulating banknotes issued in 2000 were gradually replaced by banknotes and coins issued in 2009.

During 2016, the Republic of Belarus continued to increase its government debt. As at 1 January 2017, external government debt amounted to USD 13.6 billion, showing a year-on-year increase by USD 1,198.8 million or 9.6%.

On 25 March 2016, the Council of the Eurasian Fund for Stabilization and Development approved a USD 2 billion stabilization loan for Belarus. The loan is intended to support economic policy measures and structural reforms implemented by the Belarusian government and the NBRB in 2016 - 2018. The loan is to be disbursed in seven installments, each of which shall be for 10 years, including a five-year grace period, over 2016 - 2018. The first installment in the amount of USD 500 million was provided on 30 March 2016. The second installment in the amount of USD 300 million was provided in June 2016.

The remaining increase in external government debt is largely attributable to net borrowings from the Government of the Russian Federation and Russian banks, as well as from Chinese banks.

On 28 July 2017, Fitch Ratings international rating agency has revised the Outlook on Belarus's Long-Term Foreign- and Local-Currency Issuer Default Ratings to Positive from Stable and affirmed the IDRs at 'B-'. The issue ratings on Belarus's senior unsecured foreign-currency bonds have also been affirmed at 'B-'. The Country Ceiling has been affirmed at 'B-' and the Short-Term Foreign- and Local-Currency Issuer Default Ratings at 'B'.

*(in thousands of Belarusian Rubles)***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 2017 and 31 December 2016 with related parties:

	30 June 2017		31 December 2016	
	<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>74,994</b>	<b>530,976</b>	<b>11,409</b>	<b>444,958</b>
- parent bank	74,955		11,339	
- entities under common control	39		70	
<b>Loans to individuals, gross</b>	<b>1,169</b>	<b>275,800</b>	<b>652</b>	<b>191,338</b>
- key management personnel	1,169		652	
<b>Allowance for impairment losses</b>	<b>51</b>	<b>387,351</b>	<b>38</b>	<b>430,805</b>
- key management personnel	51		38	
<b>Investments in associates</b>	<b>7,159</b>	<b>7,159</b>	<b>10,564</b>	<b>10,564</b>
<b>Due to banks</b>	<b>81,312</b>	<b>302,518</b>	<b>87,778</b>	<b>348,354</b>
- parent bank	70,835		70,596	
- entities under common control	10,477		17,182	
<b>Subordinated debt</b>	<b>143,572</b>	<b>143,572</b>	<b>132,925</b>	<b>132,925</b>
- parent bank	143,572		132,925	
<b>Due to individuals</b>	<b>1,655</b>	<b>1,320,969</b>	<b>9,169</b>	<b>1,488,482</b>
- key management personnel	1,655		9,169	
<b>Due to corporate customers</b>	<b>5,279</b>	<b>848,736</b>	<b>19,923</b>	<b>960,709</b>
- associates	5,279		19,923	
<b>Commitments and contingencies</b>	<b>18</b>	<b>521,068</b>	<b>13</b>	<b>378,923</b>
- associates	18		13	
- key management personnel				
<b>Other financial assets</b>	<b>227</b>	<b>30,902</b>	<b>14</b>	<b>27,374</b>
- parent bank	227		14	
<b>Other financial liabilities</b>	<b>1,071</b>	<b>16,373</b>	<b>979</b>	<b>16,991</b>
- parent bank	1,035		880	
- associates	36		87	
- entities under common control	-		12	

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 2022. 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 31 October 2022. 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 thousands of Belarusian Rubles)***24. Transactions with related parties (continued)**

In accordance with IFRS (IAS) 24 *Related Party Disclosures* Government of the Russian Federation is a related party of JSC BPS-Sberbank, as it is able to control the financial and operational decisions of JSC BPS-Sberbank via JSC Sberbank of Russia. During the 6 months ended 30 June 2017 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 2017 and the 6 months ended 30 June 2016 are the following amounts which arose due to transactions with related parties:

	30 June 2017		30 June 2016	
	<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>486</b>	<b>192,364</b>	<b>617</b>	<b>299,041</b>
- parent bank	466		590	
- key management personnel	20		27	
<b>Fee and commission income</b>	<b>4,329</b>	<b>74,297</b>	<b>10,547</b>	<b>83,609</b>
- parent bank	4,327		10,525	
- associates	–		20	
- key management personnel	2		2	
<b>Interest expense</b>	<b>(8,300)</b>	<b>(52,122)</b>	<b>(15,915)</b>	<b>(124,964)</b>
- parent bank	(8,151)		(15,593)	
- associates	(130)		(12)	
- key management personnel	(19)		(310)	
<b>Allowance for loan impairment</b>	<b>(13)</b>	<b>(79,145)</b>	<b>(14)</b>	<b>(176,235)</b>
- key management personnel	(13)		(14)	
<b>Fee and commission expense</b>	<b>(4,437)</b>	<b>(17,371)</b>	<b>(4,726)</b>	<b>(18,368)</b>
- parent bank	(4,437)		(4,726)	
<b>Staff costs</b>	<b>(909)</b>	<b>(41,327)</b>	<b>(726)</b>	<b>(26,094)</b>
- key management personnel	(909)		(726)	

During the 6 months ended 30 June 2017 and the 6 months ended 30 June 2016 remuneration of key management personnel comprised of short-term employee benefits.

(in thousands of Belarusian Rubles)

## 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 thousands of Belarusian Rubles)***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>Retail banking</b>	<b>Corporate banking</b>	<b>Unallocated</b>	<b>30 June 2017/ 6 months ended 30 June 2017 Total</b>
Interest income	21,396	135,182	35,786	<b>192,364</b>
Interest expense	(21,980)	(20,069)	(10,073)	<b>(52,122)</b>
Allowance for impairment losses on interest bearing assets	(783)	(78,362)	–	<b>(79,145)</b>
Contributions to deposits protection fund	(3,854)	–	–	<b>(3,854)</b>
Fee and commission income	41,426	32,148	723	<b>74,297</b>
Fee and commission expense	(14,138)	(2,730)	(503)	<b>(17,371)</b>
Net losses arising from investment securities available for sale	–	–	(158)	<b>(158)</b>
Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange unrealised losses	–	–	14,273	<b>14,273</b>
Net gains arising from operations with precious metals and precious metals derivatives	–	–	1,857	<b>1,857</b>
Reversal of impairment of non-current asset held for sale	–	100	–	<b>100</b>
Reversal of other provisions	–	115	–	<b>115</b>
Other income	–	–	5,987	<b>5,987</b>
<b>Operating income</b>	<b>22,067</b>	<b>66,384</b>	<b>47,892</b>	<b>136,343</b>
Adjustments based on transfer pricing between segments	23,485	(23,485)	–	–
<b>Total operating income</b>	<b>45,552</b>	<b>42,899</b>	<b>47,892</b>	<b>136,343</b>
Operating expenses	(25,498)	(41,635)	(32,427)	<b>(99,560)</b>
Share of the results of associates	–	–	(640)	<b>(640)</b>
<b>Profit before income taxes</b>	<b>20,054</b>	<b>1,264</b>	<b>14,825</b>	<b>36,143</b>
Income tax expense	–	–	(3,098)	<b>(3,098)</b>
<b>Net profit</b>	<b>20,054</b>	<b>1,264</b>	<b>11,727</b>	<b>33,045</b>
<b>Segment assets</b>	<b>275,800</b>	<b>1,879,763</b>	<b>1,208,439</b>	<b>3,364,002</b>
<b>Segment liabilities</b>	<b>1,321,392</b>	<b>963,011</b>	<b>508,280</b>	<b>2,792,683</b>
<b>Other segment items</b>				
- Loans to customers	275,800	1,879,763	–	<b>2,155,563</b>
- Amounts due to customers	1,320,969	848,736	–	<b>2,169,705</b>
- Debt securities issued	423	114,275	–	<b>114,698</b>

*(in thousands of Belarusian Rubles)***25. Segment reporting (continued)**

	<b>Retail banking</b>	<b>Corporate banking</b>	<b>Unallocated</b>	<b>30 June 2016/ 6 months ended 30 June 2016 Total</b>
Interest income	25,122	243,934	29,985	<b>299,041</b>
Interest expense	(46,557)	(51,334)	(27,073)	<b>(124,964)</b>
Allowance for impairment losses on interest bearing assets	(2,044)	(174,191)	–	<b>(176,235)</b>
Contributions to deposits protection fund	(5,338)	–	–	<b>(5,338)</b>
Fee and commission income	43,227	39,771	611	<b>83,609</b>
Fee and commission expense	(11,410)	(6,645)	(313)	<b>(18,368)</b>
Net losses arising from investment securities available for sale	–	–	(43)	<b>(43)</b>
Net losses arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses	–	–	35,093	<b>35,093</b>
Net gains arising from operations with precious metals and precious metals derivatives	–	–	(3,675)	<b>(3,675)</b>
Reversal of other provisions	–	683	–	<b>683</b>
Reversal of impairment of non-current asset held for sale	–	54	–	<b>54</b>
Other income	–	–	5,835	<b>5,835</b>
<b>Operating income</b>	<b>3,000</b>	<b>52,272</b>	<b>40,420</b>	<b>95,692</b>
Adjustments based on transfer pricing between segments	39,481	(39,481)	–	–
<b>Total operating income</b>	<b>42,481</b>	<b>12,791</b>	<b>40,420</b>	<b>95,692</b>
Operating expenses	(23,215)	(34,879)	(29,522)	<b>(87,616)</b>
Share of results of an associate	–	–	1,314	<b>1,314</b>
<b>Profit/(loss) before income taxes</b>	<b>19,266</b>	<b>(22,088)</b>	<b>12,212</b>	<b>9,390</b>
Income tax expense	–	–	(299)	<b>(299)</b>
<b>Net profit/(loss)</b>	<b>19,266</b>	<b>(22,088)</b>	<b>11,913</b>	<b>9,091</b>
<b>Segment assets</b>	<b>167,846</b>	<b>3,154,856</b>	<b>907,679</b>	<b>4,230,381</b>
<b>Segment liabilities</b>	<b>(1,756,396)</b>	<b>(1,090,104)</b>	<b>(921,971)</b>	<b>(3,768,471)</b>
<b>Other segment items</b>				
- Loans to customers	167,846	3,154,856	–	<b>3,322,702</b>
- Customer accounts	(1,755,610)	(951,812)	–	<b>(2,707,422)</b>
- Debt securities issued	(786)	(138,292)	–	<b>(139,078)</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 thousands of Belarusian Rubles)***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 2017			31 December 2016		
	Carrying value	Fair value	Unrealized gain/(loss)	Carrying value	Fair value	Unrealized gain/(loss)
Mandatory cash balances with the National Bank of the Republic of Belarus	2,839	2,839	–	14,282	14,282	–
Due from banks	2,638	2,638	–	2,262	2,262	–
Loans to corporate customers	1,504,451	1,487,752	(16,699)	1,785,480	1,785,931	451
Loans to individuals	263,761	268,790	5,029	180,082	187,020	6,938
Investments held to maturity	1,570	1,750	180	1,061	1,129	68
Other financial assets	30,902	30,902	–	27,374	27,374	–
Loans from the National Bank of the Republic of Belarus	514	514	–	604	604	–
Due to banks	302,518	297,953	4,565	348,354	344,878	3,476
Due to individuals	1,320,969	1,319,687	1,282	1,488,482	1,487,173	1,309
Due to corporate customers	848,736	848,732	4	960,709	960,595	114
Debt securities issued	114,698	117,094	(2,396)	121,845	124,070	(2,225)
Other financial liabilities	16,373	16,373	–	16,991	16,991	–
Subordinated debt	143,572	143,572	–	132,925	132,925	–

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 thousands of Belarusian Rubles)***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 2017</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	192	1	–	<b>193</b>
Investments available for sale	1,930	756,000	–	<b>757,930</b>
Office premises	–	–	82,424	<b>82,424</b>
Premises held for sale	–	–	1,687	<b>1,687</b>
<b>Total assets carried at fair value</b>	<b>2,122</b>	<b>756,001</b>	<b>84,111</b>	<b>842,234</b>
<b>Liabilities carried at fair value</b>				
Derivative financial instruments	170	13,172	–	<b>13,342</b>
<b>Total liabilities carried at fair value</b>	<b>170</b>	<b>13,172</b>	<b>–</b>	<b>13,342</b>
<b>As at 31 December 2016</b>				
<b>Assets carried at fair value</b>				
Derivative financial instruments	96	589	–	<b>685</b>
Investments available for sale	1,680	908,868	–	<b>910,548</b>
Office premises	–	–	83,788	<b>83,788</b>
Premises held for sale	–	–	617	<b>617</b>
<b>Total assets carried at fair value</b>	<b>1,776</b>	<b>909,457</b>	<b>84,405</b>	<b>995,638</b>
<b>Liabilities carried at fair value</b>				
Derivative financial instruments	493	1,610	–	<b>2,103</b>
<b>Total liabilities carried at fair value</b>	<b>493</b>	<b>1,610</b>	<b>–</b>	<b>2,103</b>

Derivative financial instruments with fair value, calculated by methods with market data inputs, are, mainly, currency swaps and forward contracts on currencies. For derivatives of Level 1 and 2 models of valuation may include various data inputs, among which forward and spot currency rates. For derivatives of Level 3 most often used methods of valuation of swaps and forwards are those which use calculation of discounted values.

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

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 2017</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	530,976	-	-	<b>530,976</b>
Mandatory cash balances with the National Bank of the Republic of Belarus	2,839	-	-	<b>2,839</b>
Due from banks	-	2,638	-	<b>2,638</b>
Loans to corporate customers	-	-	1,487,752	<b>1,487,752</b>
Loans to individuals	-	-	268,790	<b>268,790</b>
Investments held to maturity	-	1,750	-	<b>1,750</b>
Other financial assets	-	-	30,902	<b>30,902</b>
<b>Total financial assets for which fair values are disclosed</b>	<b>533,815</b>	<b>4,388</b>	<b>1,787,444</b>	<b>2,325,647</b>
<b>Financial liabilities for which fair values are disclosed</b>				
Loans from the National Bank of the Republic of Belarus	-	514	-	<b>514</b>
Due to banks	-	297,953	-	<b>297,953</b>
Due to individuals	-	-	1,319,687	<b>1,319,687</b>
Due to corporate customers	-	-	848,732	<b>848,732</b>
Debt securities issued	-	117,094	-	<b>117,094</b>
Subordinated debt	-	143,572	-	<b>143,572</b>
Other financial liabilities	-	-	16,373	<b>16,373</b>
<b>Total financial liabilities for which fair values are disclosed</b>	<b>-</b>	<b>559,133</b>	<b>2,184,792</b>	<b>2,743,925</b>
<b>As at 31 December 2016</b>				
<b>Financial assets for which fair values are disclosed</b>				
Cash and cash equivalents	444,958	-	-	<b>444,958</b>
Mandatory cash balances with the National Bank of the Republic of Belarus	14,282	-	-	<b>14,282</b>
Due from banks	-	2,262	-	<b>2,262</b>
Loans to corporate customers	-	-	1,785,931	<b>1,785,931</b>
Loans to individuals	-	-	187,020	<b>187,020</b>
Investments held to maturity	-	1,129	-	<b>1,129</b>
Other financial assets	-	-	27,374	<b>27,374</b>
<b>Total financial assets for which fair values are disclosed</b>	<b>459,240</b>	<b>3,391</b>	<b>2,000,325</b>	<b>2,462,956</b>
<b>Financial liabilities for which fair values are disclosed</b>				
Loans from the National Bank of the Republic of Belarus	-	604	-	<b>604</b>
Due to banks	-	344,878	-	<b>344,878</b>
Due to individuals	-	-	1,487,173	<b>1,487,173</b>
Due to corporate customers	-	-	960,595	<b>960,595</b>
Debt securities issued	-	124,070	-	<b>124,070</b>
Subordinated debt	-	132,925	-	<b>132,925</b>
Other financial liabilities	-	-	16,991	<b>16,991</b>
<b>Total financial liabilities for which fair values are disclosed</b>	<b>-</b>	<b>602,477</b>	<b>2,464,759</b>	<b>3,067,236</b>

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

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

	<i>At 1 January 2017</i>	<i>Unrealized gain reported in profit or loss</i>	<i>Realized gain reported in profit or loss</i>	<i>Unrealized gain reported in comprehensive income</i>	<i>Settlements/ movements</i>	<i>At 30 June 2017</i>
<b>Financial assets</b>						
Office premises	83,788	(473)	–	–	(891)	82,424
Premises held for sale	617	–	–	–	1,070	1,687
<b>Total level 3 financial assets</b>	<b>84,405</b>	<b>(473)</b>	<b>–</b>	<b>–</b>	<b>179</b>	<b>84,111</b>

  

	<i>At 1 January 2016</i>	<i>Unrealized gain reported in profit or loss</i>	<i>Realized gain reported in profit or loss</i>	<i>Unrealized gain reported in comprehensive income</i>	<i>Settlements/ movements</i>	<i>At 31 December 2016</i>
<b>Financial assets</b>						
Office premises	80,523	58	–	2,908	299	83,788
Premises held for sale	840	(184)	(1)	–	(38)	617
Derivative financial assets	291,685	–	57,080	–	(348,765)	–
<b>Total level 3 financial assets</b>	<b>373,048</b>	<b>(126)</b>	<b>57,079</b>	<b>2,908</b>	<b>(348,504)</b>	<b>84,405</b>

**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 Group's own regulatory funds with quantified assessment of the risks it undertakes (risk-weighted assets). The Group'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.



*(in thousands of Belarusian Rubles)***27. Capital management (continued)**

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

The 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 2017 and 31 December 2016, comprised:

	<b>30 June 2017</b>	<b>31 December 2016</b>
<b>Tier 1 capital</b>	321,756	321,756
Share capital	576	576
Share premium	213,631	180,385
Retained earnings	<b>535,963</b>	<b>502,717</b>
<b>Total Tier 1 capital</b>		
<b>Tier 2 capital</b>		
Revaluation reserve for office premises	33,271	33,516
Fair value reserve for investment securities available-for-sale	2,085	1,723
Applied subordinated loan	143,572	132,925
<b>Total Tier 2 capital</b>	<b>178,928</b>	<b>168,164</b>
<b>Total capital</b>	<b>714,891</b>	<b>670,881</b>
<b>Total risk weighted assets (RWA)</b>	<b>3,065,965</b>	<b>3,360,157</b>
Core capital adequacy ratio (total Tier 1 capital / total RWA), %	17.5	15.0
Total capital adequacy ratio (total capital / total RWA), %	23.3	20.0

As at 30 June 2017 and 31 December 2016 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 21.354% and 19.208%, respectively and increases norms established by the National Bank of the Republic of Belarus the capital adequacy ratio with the capital conservation buffer –11.25%.

**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).

(in thousands of Belarusian Rubles)

## 28. Risk management policies (continued)

- ▶ 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.
- ▶ 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 making transactions / amending terms and conditions of transactions and / or establishing / updating risk limits for corporate clients in the category of "largest", "large", "mid-sized", and deciding on establishment / updating of credit risk limits for transactions in financial market.
- ▶ 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 Credit Risk ensures functioning, improvement and development of the Bank's credit risk management system for corporate and retail customers. It is responsible for the identification, evaluation, monitoring and control of corporate and retail credit risks, develops package of activities aimed at risks mitigation.
- ▶ Center of Risk Analysis and Examination 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 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.

### 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.

*(in thousands of Belarusian Rubles)***28. Risk management policies (continued)****Credit risk (continued)**

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 2017</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	1,960	84,093	57,003	76,732	211,136	11,813	8,142	<b>450,879</b>
Mandatory cash balances with the National Bank	–	–	–	–	2,839	–	–	<b>2,839</b>
Due from banks	–	342	–	–	620	1,136	540	<b>2,638</b>
Derivative financial assets	–	–	54	135	–	–	4	<b>193</b>
Loans to corporate customers	–	–	–	–	–	–	1,504,451	<b>1,504,451</b>
Loans to individuals	–	–	–	–	–	–	263,761	<b>263,761</b>
Investments available for sale	–	1,930	–	–	753,127	–	2,873	<b>757,930</b>
Investments held to maturity	–	–	–	–	509	–	1,061	<b>1,570</b>
Other financial assets	–	–	–	–	–	–	30,902	<b>30,902</b>
<b>31 December 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	13,921	46,700	6,399	11,413	279,013	183	8,351	<b>365,980</b>
Mandatory cash balances with the National Bank	–	–	–	–	14,282	–	–	<b>14,282</b>
Due from banks	–	11	–	–	–	1,737	514	<b>2,262</b>
Derivative financial assets	–	–	47	618	–	–	20	<b>685</b>
Loans to corporate customers	–	–	–	–	–	–	1,785,480	<b>1,785,480</b>
Loans to individuals	–	–	–	–	–	–	180,082	<b>180,082</b>
Investments available for sale	–	1,680	–	–	906,110	–	2,758	<b>910,548</b>
Investments held to maturity	–	–	–	–	–	–	1,061	<b>1,061</b>
Other financial assets	–	–	–	–	–	–	27,374	<b>27,374</b>

As at 30 June 2017 and 31 December 2016 other financial assets comprised past due but not impaired assets in the amount of 1,658 BYN thousand and 1,235 BYN thousand, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 6.

As at 30 June 2017 and 31 December 2016 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 thousands of Belarusian Rubles)***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 2017</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	310,709	76,813	142,928	526	530,976
Mandatory cash balances with the National Bank	2,839	–	–	–	2,839
Due from banks	2,296	–	336	6	2,638
Derivative financial assets	3	190	–	–	193
Loans to corporate customers	1,504,451	–	–	–	1,504,451
Loans to individuals	263,761	–	–	–	263,761
Investments available for sale	756,000	–	1,930	–	757,930
Investments held to maturity	1,570	–	–	–	1,570
Other financial assets	30,902	–	–	–	30,902
<b>Total financial assets</b>	<b>2,872,531</b>	<b>77,003</b>	<b>145,194</b>	<b>532</b>	<b>3,095,260</b>
<b>Financial liabilities</b>					
Loans from the National Bank	514	–	–	–	514
Due to banks	60,429	94,001	148,007	81	302,518
Derivative financial liabilities	18	13,314	10	–	13,342
Due to individuals	1,274,659	28,338	6,313	11,659	1,320,969
Due to corporate customers	818,083	3,320	1,227	26,106	848,736
Debt securities issued	114,698	–	–	–	114,698
Other financial liabilities	16,373	–	–	–	16,373
Subordinated debt	–	143,572	–	–	143,572
<b>Total financial liabilities</b>	<b>2,284,774</b>	<b>282,545</b>	<b>155,557</b>	<b>37,846</b>	<b>2,760,722</b>
<b>Net position</b>	<b>587,757</b>	<b>(205,542)</b>	<b>(10,363)</b>	<b>(37,314)</b>	
<b>31 December 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	365,114	15,688	63,024	1,132	444,958
Mandatory cash balances with the National Bank	14,282	–	–	–	14,282
Due from banks	2,251	–	–	11	2,262
Derivative financial assets	19	666	–	–	685
Loans to corporate customers	1,785,480	–	–	–	1,785,480
Loans to individuals	180,082	–	–	–	180,082
Investments available for sale	908,868	–	1,680	–	910,548
Investments held to maturity	1,061	–	–	–	1,061
Other financial assets	27,374	–	–	–	27,374
<b>Total financial assets</b>	<b>3,284,531</b>	<b>16,354</b>	<b>64,704</b>	<b>1,143</b>	<b>3,366,732</b>
<b>Financial liabilities</b>					
Loans from the National Bank	604	–	–	–	604
Due to banks	47,990	101,317	198,918	129	348,354
Derivative financial liabilities	2	2,101	–	–	2,103
Due to individuals	1,414,001	54,313	6,468	13,700	1,488,482
Due to corporate customers	927,867	3,685	516	28,641	960,709
Debt securities issued	121,845	–	–	–	121,845
Other financial liabilities	16,991	–	–	–	16,991
Subordinated debt	–	132,925	–	–	132,925
<b>Total financial liabilities</b>	<b>2,529,300</b>	<b>294,341</b>	<b>205,902</b>	<b>42,470</b>	<b>3,072,013</b>
<b>Net position</b>	<b>755,231</b>	<b>(277,987)</b>	<b>(141,198)</b>	<b>(41,327)</b>	

*(in thousands of Belarusian Rubles)***28. Risk management policies (continued)****Liquidity risk (continued)**

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

<b>30 June 2017</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	530,976	–	–	–	–	–	–	<b>530,976</b>
Mandatory cash balances with the National Bank	1,195	684	377	568	15	–	–	<b>2,839</b>
Due from banks	1,160	719	345	414	–	–	–	<b>2,638</b>
Derivative financial assets	193	–	–	–	–	–	–	<b>193</b>
Loans to corporate customers	110,750	275,261	129,982	430,918	436,338	121,202	–	<b>1,504,451</b>
Loans to individuals	5,919	18,812	27,540	65,417	143,143	2,930	–	<b>263,761</b>
Non-current assets held for sale	–	–	19,374	–	–	–	–	<b>19,374</b>
Investments available for sale	89,329	2,091	108,051	–	554,899	–	3,560	<b>757,930</b>
Investments held to maturity	509	–	–	–	1,061	–	–	<b>1,570</b>
Investments in associates	–	–	–	–	–	–	7,159	<b>7,159</b>
Premises and equipment	–	–	–	–	–	–	153,353	<b>153,353</b>
Intangible assets	–	–	–	–	–	–	46,735	<b>46,735</b>
Other assets	47,545	12,215	436	6,011	–	1,658	5,158	<b>73,023</b>
<b>Total assets</b>	<b>787,576</b>	<b>309,782</b>	<b>286,105</b>	<b>503,328</b>	<b>1,135,456</b>	<b>125,790</b>	<b>215,965</b>	<b>3,364,002</b>
<b>Liabilities</b>								
Loans from the National bank of the Republic of Belarus	–	514	–	–	–	–	–	<b>514</b>
Due to banks	102,052	49,786	48,627	87,471	14,582	–	–	<b>302,518</b>
Derivative financial liabilities	170	8,276	4,896	–	–	–	–	<b>13,342</b>
Due to individuals	379,120	377,812	159,654	395,434	8,949	–	–	<b>1,320,969</b>
Due to corporate customers	534,174	145,274	128,730	38,415	2,143	–	–	<b>848,736</b>
Debt securities issued	1,097	325	–	37,313	75,963	–	–	<b>114,698</b>
Current income tax liabilities	8,608	–	–	–	–	–	–	<b>8,608</b>
Deferred income tax liabilities	–	–	–	–	–	–	16,658	<b>16,658</b>
Provisions for guarantees and other commitments	–	–	–	–	–	–	–	<b>–</b>
Other liabilities	18,380	4,441	1	4	220	–	22	<b>23,068</b>
Subordinated debt	–	–	–	–	143,572	–	–	<b>143,572</b>
<b>Total liabilities</b>	<b>1,043,601</b>	<b>586,428</b>	<b>341,908</b>	<b>558,637</b>	<b>245,429</b>	<b>–</b>	<b>16,680</b>	<b>2,792,683</b>
<b>Net liquidity gap</b>	<b>(256,025)</b>	<b>(276,646)</b>	<b>(55,803)</b>	<b>(55,309)</b>	<b>890,027</b>	<b>125,790</b>	<b>199,285</b>	<b>571,319</b>
<b>Cumulative liquidity gap as at 30 June 2017</b>	<b>(256,025)</b>	<b>(532,671)</b>	<b>(588,474)</b>	<b>(643,783)</b>	<b>246,244</b>	<b>372,034</b>	<b>571,319</b>	

*(in thousands of Belarusian Rubles)***28. Risk management policies (continued)****Liquidity risk (continued)**

<b>31 December 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	444,958	-	-	-	-	-	-	<b>444,958</b>
Mandatory cash balances with the National Bank	5,029	3,188	2,952	3,084	29	-	-	<b>14,282</b>
Due from banks	520	507	476	759	-	-	-	<b>2,262</b>
Derivative financial assets	685	-	-	-	-	-	-	<b>685</b>
Loans to corporate customers	114,223	396,569	169,380	417,787	517,251	170,270	-	<b>1,785,480</b>
Loans to individuals	5,546	15,449	25,366	54,203	77,007	2,511	-	<b>180,082</b>
Non-current assets held for sale	-	-	17,922	-	-	-	-	<b>17,922</b>
Investments available for sale	279,813	108,231	-	-	519,194	-	3,310	<b>910,548</b>
Investments held to maturity	-	-	-	-	1,061	-	-	<b>1,061</b>
Investments in associates	-	-	-	-	-	-	10,564	<b>10,564</b>
Premises and equipment	-	-	-	-	-	-	156,587	<b>156,587</b>
Intangible assets	-	-	-	-	-	-	44,144	<b>44,144</b>
Other assets	35,869	1,870	3	26,821	17	1,235	7,389	<b>73,204</b>
<b>Total assets</b>	<b>886,643</b>	<b>525,814</b>	<b>216,099</b>	<b>502,654</b>	<b>1,114,559</b>	<b>174,016</b>	<b>221,994</b>	<b>3,641,779</b>
<b>Liabilities</b>								
Loans from the National bank of the Republic of Belarus	9	595	-	-	-	-	-	<b>604</b>
Due to banks	91,933	73,220	44,109	124,358	14,734	-	-	<b>348,354</b>
Derivative financial liabilities	808	-	-	1,295	-	-	-	<b>2,103</b>
Due to individuals	337,961	375,072	309,234	464,651	1,564	-	-	<b>1,488,482</b>
Due to corporate customers	524,580	171,649	196,934	64,182	3,364	-	-	<b>960,709</b>
Debt securities issued	575	29,346	-	30,736	61,188	-	-	<b>121,845</b>
Current income tax liabilities	83	-	-	-	-	-	-	<b>83</b>
Deferred income tax liabilities	-	-	-	-	-	-	23,806	<b>23,806</b>
Provisions for guarantees and other commitments	-	100	-	-	-	-	-	<b>100</b>
Other liabilities	23,211	909	24	48	615	-	5	<b>24,812</b>
Subordinated debt	-	-	-	-	132,925	-	-	<b>132,925</b>
<b>Total liabilities</b>	<b>979,160</b>	<b>650,891</b>	<b>550,301</b>	<b>685,270</b>	<b>214,390</b>	<b>-</b>	<b>23,811</b>	<b>3,103,823</b>
<b>Net liquidity gap</b>	<b>(92,517)</b>	<b>(125,077)</b>	<b>(334,202)</b>	<b>(182,616)</b>	<b>900,169</b>	<b>174,016</b>	<b>198,183</b>	<b>537,956</b>
<b>Cumulative liquidity gap as at 31 December 2016</b>	<b>(92,517)</b>	<b>(217,594)</b>	<b>(551,796)</b>	<b>(734,412)</b>	<b>165,757</b>	<b>339,773</b>	<b>537,956</b>	

*(in thousands of Belarusian Rubles)***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 2017 and 31 December 2016 are estimated in the amount of BYN 419,204 thousand and BYN 360,838 thousand, respectively. As at 30 June 2017 and 31 December 2016 included in 'Due to banks' were short-term non-tied loans attracted from parent bank in the amount of BYN 7,451 thousand and BYN 12,548 thousand, 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 2017 and 31 December 2016 is as follows:

<b>30 June 2017</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	182,544	377,812	159,654	395,434	8,949	–	196,576	<b>1,320,969</b>
Corporate accounts analyzed based on expected withdrawal dates	311,546	145,274	128,730	38,415	2,143	–	222,628	<b>848,736</b>
Funds attracted from other banks analyzed	88,113	51,949	50,790	89,633	14,582	–	7,451	<b>302,518</b>
<b>Liquidity gap (based on expected withdrawal dates for customers' accounts)</b>	<b>177,118</b>	<b>(278,809)</b>	<b>(57,966)</b>	<b>(57,471)</b>	<b>890,027</b>	<b>125,790</b>	<b>(227,370)</b>	
<b>31 December 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	179,480	375,072	309,234	464,651	1,564	–	158,481	<b>1,488,482</b>
Corporate accounts analyzed based on expected withdrawal dates	322,223	171,649	196,934	64,182	3,364	–	202,357	<b>960,709</b>
Funds attracted from other banks analyzed	81,181	65,472	46,093	128,326	14,734	–	12,548	<b>348,354</b>
<b>Liquidity gap (based on expected withdrawal dates for customers' accounts)</b>	<b>279,073</b>	<b>(117,329)</b>	<b>(336,186)</b>	<b>(186,584)</b>	<b>900,169</b>	<b>174,016</b>	<b>(175,203)</b>	

As at 30 June 2017 covenants with EBRD were violated in the Group. Liabilities in the amount of BYN 6,510 thousand 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.

**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)).

*(in thousands of Belarusian Rubles)***28. Risk management policies (continued)****Market risk (continued)**

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 BYN and foreign currencies existing as at 30 June 2017 and 31 December 2016, 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.

Impact on profit before taxes:

	<i>As at 30 June 2017</i>		<i>As at 31 December 2016</i>	
	<i>Interest rate +10%</i>	<i>Interest rate -10%</i>	<i>Interest rate +10%</i>	<i>Interest rate -10%</i>
<b>BYN</b>				
<b>Impact on profit before taxes</b>				
<b>Assets</b>				
Due from banks	16,808	(16,808)	12,641	(12,641)
Loans to customers	44,642	(44,642)	49,361	(49,361)
Investments available for sale	14,394	(14,394)	30,102	(30,102)
Investments held to maturity	155	(155)	106	(106)
<b>Liabilities</b>				
Due to banks	(1,494)	1,494	(3,001)	3,001
Due to customers	(66,401)	66,401	(71,027)	71,027
Debt securities issued	(570)	570	(2,486)	2,486
<b>Net impact on profit before taxes</b>	<b>7,534</b>	<b>(7,534)</b>	<b>15,696</b>	<b>(15,696)</b>
<b>Impact on comprehensive income (excluding profit for the year)</b>				
Investments available for sale	-	-	-	-
<b>Net impact on comprehensive income</b>	<b>7,534</b>	<b>(7,534)</b>	<b>15,696</b>	<b>(15,696)</b>



(in thousands of Belarusian Rubles)

**28. Risk management policies (continued)****Interest rate risk (continued)**

<b>USD</b>	<b>As at 30 June 2017</b>		<b>As at 31 December 2016</b>	
	<b>Interest rate</b>	<b>Interest rate</b>	<b>Interest rate</b>	<b>Interest rate</b>
	<b>+5%</b>	<b>-5%</b>	<b>+5%</b>	<b>-5%</b>
<b>Impact on profit before taxes</b>				
<b>Assets</b>				
Due from banks	-	-	-	-
Loans to customers	16,751	(16,751)	26,834	(26,834)
Investments available for sale	1,351	(1,351)	3,860	(3,860)
<b>Liabilities</b>				
Due to banks	(1,058)	1,058	(659)	659
Due to customers	(22,147)	22,147	(24,231)	24,231
Debt securities issued	(16)	16	(69)	69
<b>Net impact on profit before taxes</b>	<b>(5,119)</b>	<b>5,119</b>	<b>5,735</b>	<b>(5,735)</b>
<b>Impact on comprehensive income (excluding profit for the year)</b>				
Investments available for sale	(2,219)	-	(632)	-
<b>Net impact on comprehensive income</b>	<b>(7,338)</b>	<b>5,119</b>	<b>5,103</b>	<b>(5,735)</b>

<b>EUR</b>	<b>As at 30 June 2017</b>		<b>As at 31 December 2016</b>	
	<b>Interest rate</b>	<b>Interest rate</b>	<b>Interest rate</b>	<b>Interest rate</b>
	<b>+5%</b>	<b>-5%</b>	<b>+5%</b>	<b>-5%</b>
<b>Impact on profit before taxes</b>				
<b>Assets</b>				
Due from banks	12	(12)	-	-
Loans to customers	18,213	(18,213)	21,487	(21,487)
Investments available for sale	7,707	(7,707)	8,316	(8,316)
<b>Liabilities</b>				
Due to banks	(9,217)	9,217	(11,044)	11,044
Due to customers	(8,429)	8,429	(8,928)	8,928
Debt securities issued	(13)	13	(63)	63
<b>Net impact on profit before taxes</b>	<b>8,273</b>	<b>(8,273)</b>	<b>9,768</b>	<b>(9,768)</b>
<b>Impact on comprehensive income (excluding profit for the year)</b>				
Investments available for sale	(9,966)	-	(12,743)	-
<b>Net impact on comprehensive income</b>	<b>(1,693)</b>	<b>(8,273)</b>	<b>(2,975)</b>	<b>(9,768)</b>

<b>RUB</b>	<b>As at 30 June 2017</b>		<b>As at 31 December 2016</b>	
	<b>Interest rate</b>	<b>Interest rate</b>	<b>Interest rate</b>	<b>Interest rate</b>
	<b>+7%</b>	<b>-7%</b>	<b>+7%</b>	<b>-7%</b>
<b>Impact on profit before taxes</b>				
<b>Assets</b>				
Loans to customers	2,776	(2,776)	12,427	(12,427)
Investments available for sale	62	(62)	61	(61)
<b>Liabilities</b>				
Due to banks	(1,459)	1,459	(1,041)	1,041
Due to customers	(6,372)	6,372	(4,691)	4,691
Debt securities issued	-	-	(316)	316
<b>Net impact on profit before taxes</b>	<b>(4,993)</b>	<b>4,993</b>	<b>6,440</b>	<b>(6,440)</b>
<b>Impact on comprehensive income (excluding profit for the year)</b>				
Investments available for sale	-	-	-	-
<b>Net impact on comprehensive income</b>	<b>(4,993)</b>	<b>4,993</b>	<b>6,440</b>	<b>(6,440)</b>

*(in thousands of Belarusian Rubles)***28. Risk management policies (continued)****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.

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

<b>30 June 2017</b>	<b>BYN</b>	<b>USD 1USD=BYN 1.9336</b>	<b>EUR 1EUR=BYN 2.2088</b>	<b>RUB 1RUB=BYN 0.03274</b>	<b>Precious metals</b>	<b>Other currencies</b>	<b>Total</b>
<b>Financial assets</b>							
Cash and cash equivalents	231,092	94,035	114,309	23,049	66,233	2,258	<b>530,976</b>
Mandatory cash balances with the National Bank of the Republic of Belarus	2,839	–	–	–	–	–	<b>2,839</b>
Due from banks	2,296	–	336	–	–	6	<b>2,638</b>
Derivative financial assets	193	–	–	–	–	–	<b>193</b>
Loans to corporate customers	451,872	527,936	421,221	102,945	–	477	<b>1,504,451</b>
Loans to individuals	258,354	5,295	112	–	–	–	<b>263,761</b>
Investments available for sale	149,157	121,767	486,123	883	–	–	<b>757,930</b>
Investments held to maturity	1,570	–	–	–	–	–	<b>1,570</b>
Other financial assets	26,740	2,267	1,418	459	–	18	<b>30,902</b>
<b>Total financial assets</b>	<b>1,124,113</b>	<b>751,300</b>	<b>1,023,519</b>	<b>127,336</b>	<b>66,233</b>	<b>2,759</b>	<b>3,095,260</b>
<b>Financial liabilities</b>							
Loans from the National Bank	–	–	–	–	–	514	<b>514</b>
Due to banks	15,335	27,439	229,405	29,012	–	1,327	<b>302,518</b>
Derivative financial liabilities	13,342	–	–	–	–	–	<b>13,342</b>
Due to individuals	261,715	786,807	185,314	31,479	55,654	–	<b>1,320,969</b>
Due to corporate customers	466,306	138,149	141,596	91,736	10,744	205	<b>848,736</b>
Debt securities issued	5,744	67,718	39,591	1,645	–	–	<b>114,698</b>
Other financial liabilities	12,444	1,880	1,566	472	–	11	<b>16,373</b>
Subordinated loan	–	–	143,572	–	–	–	<b>143,572</b>
<b>Total financial liabilities</b>	<b>774,886</b>	<b>1,021,993</b>	<b>741,044</b>	<b>154,344</b>	<b>66,398</b>	<b>2,057</b>	<b>2,760,722</b>
<b>Open currency position</b>	<b>349,227</b>	<b>(270,693)</b>	<b>282,475</b>	<b>(27,008)</b>	<b>(165)</b>	<b>702</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>30 June 2017</b>	<b>BYN</b>	<b>USD 1USD=BYN 1.9336</b>	<b>EUR 1EUR=BYN 2.2088</b>	<b>RUB 1RUB=BYN 0.03274</b>	<b>Precious metals</b>	<b>Other Currencies</b>	<b>Total</b>
Claims on derivative financial instruments	–	252,980	–	50,495	174	74	<b>303,723</b>
Obligations on derivative financial instruments	(4,659)	(10,790)	(298,365)	(1,067)	–	(780)	<b>(315,661)</b>
<b>Net derivative financial instruments</b>	<b>(4,659)</b>	<b>242,190</b>	<b>(298,365)</b>	<b>49,428</b>	<b>174</b>	<b>(706)</b>	<b>(11,938)</b>
<b>Total currency position less fair value of derivative</b>	<b>357,717</b>	<b>(28,503)</b>	<b>(15,890)</b>	<b>22,420</b>	<b>9</b>	<b>(4)</b>	

(in thousands of Belarusian Rubles)

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

<b>31 December 2016</b>	<b>BYN</b>	<b>USD 1 USD = BYN 1.9585</b>	<b>EUR 1 EUR = BYN 2.0450</b>	<b>RUB 1 RUB = BYN 0.0324</b>	<b>Precious metals</b>	<b>Other currencies</b>	<b>Total</b>
<b>Financial assets</b>							
Cash and cash equivalents	206,907	120,124	82,916	25,335	4,457	5,219	<b>444,958</b>
Mandatory cash balances with the National Bank of the Republic of Belarus	14,282	-	-	-	-	-	<b>14,282</b>
Due from banks	2,251	-	-	-	-	11	<b>2,262</b>
Derivative financial assets	685	-	-	-	-	-	<b>685</b>
Loans to corporate customers	395,942	673,972	504,620	210,398	-	548	<b>1,785,480</b>
Loans to individuals	173,390	6,596	96	-	-	-	<b>180,082</b>
Investments available for sale	313,073	122,382	474,216	877	-	-	<b>910,548</b>
Investments held to maturity	1,061	-	-	-	-	-	<b>1,061</b>
Other financial assets	24,273	1,014	1,282	785	-	20	<b>27,374</b>
<b>Total financial assets</b>	<b>1,131,864</b>	<b>924,088</b>	<b>1,063,130</b>	<b>237,395</b>	<b>4,457</b>	<b>5,798</b>	<b>3,366,732</b>
<b>Financial liabilities</b>							
Loans from the National Bank	-	-	-	-	-	604	<b>604</b>
Due to banks	31,005	23,709	268,775	23,880	-	985	<b>348,354</b>
Derivative financial liabilities	2,103	-	-	-	-	-	<b>2,103</b>
Due to individuals	245,293	930,112	235,198	25,300	52,579	-	<b>1,488,482</b>
Due to corporate customers	533,828	195,131	150,193	67,111	10,197	4,249	<b>960,709</b>
Debt securities issued	24,998	72,647	16,785	7,415	-	-	<b>121,845</b>
Other financial liabilities	12,368	2,049	1,915	659	-	-	<b>16,991</b>
Subordinated loan	-	-	132,925	-	-	-	<b>132,925</b>
<b>Total financial liabilities</b>	<b>849,595</b>	<b>1,223,648</b>	<b>805,791</b>	<b>124,365</b>	<b>62,776</b>	<b>5,838</b>	<b>3,072,013</b>
<b>Open currency position</b>	<b>282,269</b>	<b>(299,560)</b>	<b>257,339</b>	<b>113,030</b>	<b>(58,319)</b>	<b>(40)</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 2016</b>	<b>BYN</b>	<b>USD 1 USD = BYN 1.9585</b>	<b>EUR 1 EUR = BYN 2.0450</b>	<b>RUB 1 RUB = BYN 0.0324</b>	<b>Precious metals</b>	<b>Other currencies</b>	<b>Total</b>
Claims on derivative financial instruments	-	354,680	1,125	2,234	58,256	-	<b>416,295</b>
Obligations on derivative financial instruments	(207)	(59,298)	(229,204)	(123,880)	-	-	<b>(412,589)</b>
<b>Net derivative financial instruments</b>	<b>(207)</b>	<b>295,382</b>	<b>(228,079)</b>	<b>(121,646)</b>	<b>58,256</b>	<b>-</b>	<b>3,706</b>
<b>Total currency position less fair value of derivative</b>	<b>283,480</b>	<b>(4,178)</b>	<b>29,260</b>	<b>(8,616)</b>	<b>(63)</b>	<b>(40)</b>	

*(in thousands of Belarusian Rubles)***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 BYN. This is the sensitivity rate which represents the Management's assessment of the possible change in foreign currency exchange rates as at 30 June 2017 and 31 December 2016. 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 2017</i>		<i>As at 31 December 2016</i>	
	<i>BYN/USD</i>	<i>BYN/USD</i>	<i>BYN/USD</i>	<i>BYN/USD</i>
	<i>+30%</i>	<i>-15%</i>	<i>+30%</i>	<i>-15%</i>
Impact on profit or loss	(8,551)	4,275	(1,253)	627
Impact on comprehensive income	(8,551)	4,275	(1,253)	627

	<i>As at 30 June 2017</i>		<i>As at 31 December 2016</i>	
	<i>BYN/EUR</i>	<i>BYN/EUR</i>	<i>BYN/EUR</i>	<i>BYN/EUR</i>
	<i>+30%</i>	<i>-15%</i>	<i>+30%</i>	<i>-15%</i>
Impact on profit or loss	(4,767)	2,384	8,778	(4,389)
Impact on comprehensive income	(4,767)	2,384	8,778	(4,389)

	<i>As at 30 June 2017</i>		<i>As at 31 December 2016</i>	
	<i>BYN/RUB</i>	<i>BYN/RUB</i>	<i>BYN/RUB</i>	<i>BYN/RUB</i>
	<i>+37%</i>	<i>-30%</i>	<i>+37%</i>	<i>-30%</i>
Impact on profit or loss	8,295	(6,726)	(3,188)	2,585
Impact on comprehensive income	8,295	(6,726)	(3,188)	2,585

**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.

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

---

*(in thousands of Belarusian Rubles)*

## **29. Subsequent events**

On 19 July, 2017, the National Bank has reduced refinancing rate from 13 to 12%.