

BPS-Sberbank

**Interim Condensed
Consolidated financial statements**

For the 9 months ended 30 September 2016

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Report on review of interim condensed consolidated financial statements

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

| | <i>Notes</i> | 30 September 2016 | 31 December 2015 |
|--|--------------|------------------------------|-----------------------------|
| Assets | | | |
| Cash and cash equivalents | 3 | 878,764 | 615,887 |
| Mandatory cash balances with the National Bank of the Republic of Belarus | | 17,870 | 17,569 |
| Due from banks | 4 | 2,591 | 10,869 |
| Derivative financial assets | 5 | 272 | 291,767 |
| Loans to corporate customers | 6 | 2,237,996 | 2,614,548 |
| Loans to individuals | 6 | 157,411 | 166,565 |
| Non-current assets held for sale | 7 | 20,315 | 19,653 |
| Investments available for sale | 8 | 334,830 | 719,476 |
| Investments held to maturity | 9 | 2,052 | 1,061 |
| Investments in associates | | 9,118 | 8,695 |
| Premises and equipment | 10 | 145,924 | 149,639 |
| Intangible assets | 10 | 41,677 | 36,817 |
| Current income tax assets | | 168 | 3,607 |
| Other financial assets | 11 | 10,698 | 23,054 |
| Other non-financial assets | 11 | 43,732 | 28,144 |
| Deferred income tax assets | | 1,362 | 2,092 |
| Total assets | | 3,904,780 | 4,709,443 |
| Liabilities and equity | | | |
| Liabilities | | | |
| Loans from the National bank of the Republic of Belarus | | 612 | 64,919 |
| Due to banks | 12 | 474,760 | 965,551 |
| Derivative financial liabilities | 5 | 2,202 | 726 |
| Due to individuals | 13 | 1,648,348 | 1,822,345 |
| Due to corporate customers | 13 | 959,923 | 1,023,169 |
| Debt securities issued | 14 | 121,346 | 188,866 |
| Provisions for guarantees and other commitments | 18 | 35 | 1,063 |
| Other financial liabilities | 15 | 74,369 | 82,142 |
| Other non-financial liabilities | 15 | 6,686 | 6,288 |
| Subordinated debt | | 140,465 | 101,500 |
| Total liabilities | | 3,428,746 | 4,256,569 |
| Equity | | | |
| Share capital | 16 | 321,756 | 321,756 |
| Share premium | | 576 | 576 |
| Revaluation reserve for office premises and assets held for sale | | 25,360 | 26,729 |
| Investments available for sale fair value deficit | | 1,799 | 1,671 |
| Retained earnings | | 126,543 | 102,142 |
| Total equity attributable to shareholders of the Bank | | 476,034 | 452,874 |
| Non-controlling interest | | - | - |
| Total equity | | 476,034 | 452,874 |
| Total liabilities and equity | | 3,904,780 | 4,709,443 |

Signed and authorized for release on behalf of the Management Board

Vice-Chairman of the Board
Liliya M. Astapovich

25 November 2016
Minsk

Chief Accountant
Nina N. Ilyukevich

25 November 2016
Minsk

Interim condensed Consolidated income statement
For the 9 months ended 30 September 2016
(in thousands of Belarusian Roubles)

| | <i>Notes</i> | 3 months ended 30 September 2016 | 3 months ended 30 September 2015 | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|---|--------------|--|--|--|--|
| Interest income | 17 | 102,287 | 145,653 | 401,328 | 455,963 |
| Interest expense | 17 | (44,476) | (72,947) | (169,440) | (242,385) |
| Contributions to deposits protection fund | 17 | (2,425) | (2,727) | (7,763) | (11,704) |
| Net interest income before provision for impairment losses on interest bearing assets | 17 | 55,386 | 69,979 | 224,125 | 201,874 |
| Allowance for impairment losses on interest bearing assets | 18 | (13,327) | (106,478) | (189,562) | (217,827) |
| Net interest income/(expense) | | 42,059 | (36,499) | 34,563 | (15,953) |
| Fee and commission income | 19 | 42,648 | 42,373 | 126,257 | 123,437 |
| Fee and commission expense | 19 | (11,749) | (10,359) | (30,117) | (28,075) |
| Net gains/(losses) arising from investment securities available for sale | | 6 | 56 | (37) | 60 |
| Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange unrealised losses | 20 | (9,194) | 60,089 | 25,899 | 120,230 |
| Net gains/(losses) losses arising from operations with precious metals and precious metals derivatives | 20 | 2,835 | (5,740) | (840) | (26,567) |
| (Impairment)/Reversal of impairment of non-current assets held for sale | | (7) | - | 47 | - |
| Reversal of other provisions/(Other provisions) | 18 | 345 | (758) | 1,028 | 312 |
| Loss on disposal of subsidiary | | - | - | - | (3,553) |
| Other income | 21 | 6,576 | 4,070 | 12,411 | 12,832 |
| Net non-interest income | | 31,460 | 89,731 | 134,648 | 198,676 |
| Operating income | | 73,519 | 53,232 | 169,211 | 182,723 |
| Operating expenses | 22 | (58,375) | (47,873) | (145,991) | (164,762) |
| Share of results of an associate | | 536 | 198 | 1,850 | 2,213 |
| Profit before income taxes | | 15,680 | 5,557 | 25,070 | 20,174 |
| Income tax (expenses)/income | | (1,680) | 2,851 | (1,979) | 1,396 |
| Net profit | | 14,000 | 8,408 | 23,091 | 21,570 |
| Attributable to: | | | | | |
| Shareholders of the parent Bank | | 14,000 | 8,442 | 23,091 | 21,593 |
| Non-controlling interest | | - | (34) | - | (23) |
| Net profit | | 14,000 | 8,408 | 23,091 | 21,570 |

Signed and authorized for release on behalf of the Management Board

Vice-Chairman of the Board
Liliya M. Astapovich

25 November 2016
Minsk

Chief Accountant
Nina N. Ilyukevich

25 November 2016
Minsk

Interim condensed consolidated statement of comprehensive income**For the 9 months ended 30 September 2016***(in thousands of Belarusian Roubles)*

| <i>Notes</i> | 3 months ended 30 September 2016 | 3 months ended 30 September 2015 | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|--|---|---|---|---|
| Net profit | <u>14,000</u> | <u>8,408</u> | <u>23,091</u> | <u>21,570</u> |
| Other comprehensive income | | | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | | | |
| Net change in fair value of investments available for sale | 130 | 382 | 91 | 666 |
| Reclassification adjustments for (gains)/losses included in profit or loss from comprehensive income on disposal of investments available for sale | <u>(6)</u> | <u>(56)</u> | <u>37</u> | <u>(60)</u> |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | <u>124</u> | <u>326</u> | <u>128</u> | <u>606</u> |
| Other comprehensive income not being reclassified to profit or loss in subsequent periods: | | | | |
| Net change in fair value remeasurement of assets held for sale | <u>-</u> | <u>-</u> | <u>(15)</u> | <u>-</u> |
| Net other comprehensive loss not being reclassified to profit or loss in subsequent periods | <u>-</u> | <u>-</u> | <u>(15)</u> | <u>-</u> |
| Other comprehensive income | <u>124</u> | <u>326</u> | <u>113</u> | <u>606</u> |
| Total comprehensive income | <u>14,124</u> | <u>8,734</u> | <u>23,204</u> | <u>22,176</u> |
| Attributable to: | | | | |
| Shareholders of the parent | 14,124 | 8,768 | 23,204 | 22,199 |
| Minority interest | <u>-</u> | <u>(34)</u> | <u>-</u> | <u>(23)</u> |
| Total comprehensive income | <u>14,124</u> | <u>8,734</u> | <u>23,204</u> | <u>22,176</u> |

Interim condensed consolidated statement of changes in equity**For the 9 months ended 30 September 2016***(in thousands of Belarusian Roubles)*

| | <i>Notes</i> | <i>Share capital</i> | <i>Share premium</i> | <i>Revaluation reserve for office premises</i> | <i>Investments available for sale fair value deficit</i> | <i>Retained earnings</i> | <i>Total equity attributable to shareholders of the Bank</i> | <i>Non-controlling interest</i> | <i>Total equity</i> |
|--|--------------|----------------------|----------------------|--|--|--------------------------|--|---------------------------------|---------------------|
| 31 December 2014 | | 321,756 | 576 | 28,492 | 755 | 81,357 | 432,936 | 23 | 432,959 |
| Gain for the period | | - | - | - | - | 21,593 | 21,593 | (23) | 21,570 |
| Other comprehensive income for the period | | - | - | - | 606 | - | 606 | - | 606 |
| Total comprehensive income for the period | | - | - | - | 606 | 21,593 | 22,199 | (23) | 22,176 |
| Amortisation of revaluation reserve for premises, net of tax | | - | - | (1,321) | - | 1,321 | - | - | - |
| Disposal of premises | | - | - | (3) | - | 3 | - | - | - |
| Dividends | 16 | - | - | - | - | (44) | (44) | - | (44) |
| 30 September 2015 | | 321,756 | 576 | 27,168 | 1,361 | 104,230 | 455,091 | - | 455,091 |
| 31 December 2015 | | 321,756 | 576 | 26,729 | 1,671 | 102,142 | 452,874 | - | 452,874 |
| Gain for the period | | - | - | - | - | 23,091 | 23,091 | - | 23,091 |
| Other comprehensive loss for the period | | - | - | (15) | 128 | - | 113 | - | 113 |
| Total comprehensive income for the period | | - | - | (15) | 128 | 23,091 | 23,204 | - | 23,204 |
| Amortisation of revaluation reserve for premises, net of tax | | - | - | (1,305) | - | 1,305 | - | - | - |
| Disposal of premises | | - | - | (49) | - | 49 | - | - | - |
| Dividends | 16 | - | - | - | - | (44) | (44) | - | (44) |
| 30 September 2016 | | 321,756 | 576 | 25,360 | 1,799 | 126,543 | 476,034 | - | 476,034 |

Interim condensed consolidated statement of cash flows**For the 9 months ended 30 September 2016***(in thousands of Belarusian Roubles)*

| | Notes | 9 months ended 30 September 2016 | 9 months ended 30 September 2016 |
|--|--------------|---|---|
| Cash flows from operating activities | | | |
| Interest income | | 342,821 | 412,183 |
| Interest expense | | (176,453) | (233,190) |
| Fee and commission income | | 126,973 | 123,437 |
| Fee and commission expense | | (29,994) | (28,075) |
| Net (loss)/gain on foreign exchange operations | | (6,108) | 69,660 |
| Net gain on derivative financial instruments | | 343,009 | 68,374 |
| Net (loss)/gain on disposal of investments available for sale | | (37) | 60 |
| Net gain/(loss) on precious metals | | 15,751 | (2,095) |
| Loss on disposal of subsidiary | | - | (1,467) |
| Other income | | 11,631 | 12,086 |
| Operating expenses | | (135,687) | (151,427) |
| Income taxes received/(paid) | | 2,190 | (10,835) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 494,096 | 258,711 |
| Changes in operating assets and liabilities | | | |
| <i>(Increase)/decrease in operating assets:</i> | | | |
| Minimum reserve deposit with the National Bank of the Republic of Belarus | | (301) | 2,118 |
| Due from banks | | 8,164 | (50,152) |
| Loans to corporate customers | | 482,658 | 501,736 |
| Loans to individuals | | 8,596 | 13,919 |
| Other assets | | 4,149 | 6,855 |
| <i>Increase/(decrease) in operating liabilities:</i> | | | |
| Loans from the National Bank of the Republic of Belarus | | (64,243) | (80,000) |
| Due to banks | | (656,078) | (705,154) |
| Due to individuals | | (272,127) | 71,968 |
| Due to corporate customers | | (113,771) | (19,769) |
| Debt securities issued | | (79,863) | 80,269 |
| Other liabilities | | (10,676) | (18,078) |
| Net cash outflow from operating activities | | (199,396) | 62,423 |

Interim condensed consolidated statement of cash flows**For the 9 months ended 30 September 2016***(in thousands of Belarusian Roubles)*

| | Notes | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|--|--------------|---|---|
| Cash flows from investing activities | | | |
| Purchase of premises, equipment and intangible assets | | (23,205) | (24,328) |
| Proceeds on sale of premises and equipment | | 1,971 | 15,369 |
| Disposals of HFS assets | | 3,886 | - |
| Purchase of investments available for sale | | - | (110,787) |
| Proceeds on repayment of investments available for sale | | 429,784 | - |
| Purchase of investments held to maturity | | (976) | - |
| Proceeds on repayment of investments held to maturity | | - | 26,384 |
| Dividends received | | 1,494 | 486 |
| Net cash inflow/(outflow) from investing activities | | 412,954 | (92,876) |
| Cash flows from financing activities | | | |
| Subordinated debt | | 35,475 | - |
| Dividends | | (44) | (44) |
| Net cash inflow/(outflow) from financing activities | | 35,431 | (44) |
| Effect of changes in foreign exchange rates on cash and cash equivalents | | 13,888 | 54,149 |
| Net increase in cash and cash equivalents | | 248,989 | (30,497) |
| Cash and cash equivalents, beginning of the period | 3 | 615,887 | 566,640 |
| Cash and cash equivalents, end of the period | 3 | 878,764 | 590,292 |

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

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

The registered office of the Bank is located at 6 Mulyavin Boulevard, 220005, Minsk, Republic of Belarus. As at 30 September 2016 the Bank had 6 regional directories and 59 additional offices, as well as representative office in the Republic of Poland, Warsaw.

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

| Name | Country of operation | Proportion of ownership interest / voting rights, % | | Type of operation |
|---|-----------------------------|--|-------------------------|--|
| | | 30 September 2016 | 31 December 2015 | |
| Subsidiaries | | | | |
| Closed Joint Stock Company "SB-Global" | Republic of Belarus | 99.90 | 99.90 | Advisory activity |
| Closed Joint Stock Company "Service Desk" | Republic of Belarus | 99.90 | 99.90 | Information and communication services |
| Joint-Stock Company "INCASS.EXPERT" | Republic of Belarus | 99.99 | 99.99 | Cash delivery and collection |
| Associates | | | | |
| Closed Joint Stock Company "BPS-Leasing" | Republic of Belarus | 49.00 | 49.00 | Finance lease activities |
| Closed Joint Stock Insurance Company "TASK" | Republic of Belarus | 25.60 | 25.60 | Insurance services |
| Limited Liability Company "Sberbank-Technologies" | Republic of Belarus | 25.00 | 25.00 | Software development and consulting |

The average number of employees of the Group during 9 months, ended 30 September 2016, and 9 months, ended 30 September 2015 was 3,796 and 4,206 persons, respectively.

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

| Shareholder | 30 September 2016, % | 31 December 2015, % |
|--------------------|-----------------------------|----------------------------|
| Sberbank | 98.43 | 98.43 |
| Other | 1.57 | 1.57 |
| Total | 100.00 | 100.00 |

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

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

These interim condensed consolidated financial statements were authorized for issue by the Management Board on 25 November 2016.

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

These interim condensed consolidated financial statements of the Group for 9 months ended 30 September 2016 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* ("IAS 34").

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

These interim condensed consolidated financial statements are presented in 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:

| | 30 September 2016 | 31 December 2015 |
|---------|--------------------------|-------------------------|
| USD/BYN | 1.9264 | 1.8569 |
| EUR/BYN | 2.1610 | 2.0300 |
| RUB/BYN | 0.0305 | 0.0255 |

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

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

With the effect from 1 January 2011 until 31 December 2014, the Belarusian economy is considered to be hyperinflationary in accordance with the criteria in IAS 29 *Financial Reporting in Hyperinflationary Economies* ("IAS 29"). Starting 1 January 2015, the economy of the Republic of Belarus is no longer considered to be hyperinflationary and values of the Group's non-monetary assets, liabilities and equity as stated in measuring units at 31 December 2014 have formed the basis for the amounts carried forward to 1 January 2015.

Functional and presentation currency

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

On 1st July, 2016 belorussian rouble was denominated 10 000 BYR up to 1 BYN.

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

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Current accounts with the National Bank | 584,620 | 241,239 |
| Cash | 120,529 | 156,185 |
| Correspondent accounts and placements with other banks: | | |
| - Belarus | 45,282 | 1,272 |
| - Other countries | 121,616 | 212,791 |
| Settlements with non-bank financial institutions | 6,717 | 4,400 |
| Total cash and cash equivalents | 878,764 | 615,887 |

Correspondent accounts and placements with other banks mostly represent balances with the largest foreign banks and top rated Belarusian banks. In particular, the balance on correspondent accounts of three large foreign banks at 30 September 2016 amounted BYN 103,063 thousands or 84.7% of the balance on correspondent accounts and placements with banks of other countries. As at 31 December 2015 the balance on correspondent accounts of four large foreign banks amounted BYN 203,127 thousands or 95.5% of the balance on correspondent accounts and placements with banks of other countries.

Analysis by credit quality of the balances with counterparty banks as at 30 September 2016 made on the basis of ratings of international rating agencies is as follows:

| | Investment rating | Speculative rating | Not rated | Total |
|--|------------------------------|-------------------------------|------------------|----------------|
| Correspondent accounts and placements with other banks: | | | | |
| - Belarus | - | 43,451 | 1,831 | 45,282 |
| - Other countries | 93,504 | 27,258 | 854 | 121,616 |
| Total | 93,504 | 70,709 | 2,685 | 166,898 |

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

| | Investment rating | Speculative rating | Not rated | Total |
|--|------------------------------|-------------------------------|------------------|----------------|
| Correspondent accounts and placements with other banks: | | | | |
| - Belarus | - | 1,264 | 8 | 1,272 |
| - Other countries | 182,771 | 27,790 | 2,230 | 212,791 |
| Total | 182,771 | 29,054 | 2,238 | 214,063 |

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

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

4. Due from banks

Due from banks comprise:

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Time deposits and loans to banks: | | |
| - Belarus | 2,074 | 9,429 |
| - Other countries | 517 | 1,440 |
| Total due from banks | 2,591 | 10,869 |

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

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

Analysis by credit quality of the balances with counterparty banks as at 30 September 2016 made on the basis of ratings of international rating agencies is as follows:

| | Investment rating | Speculative rating | Total |
|--|------------------------------|-------------------------------|--------------|
| Time deposits and loans to banks: | | | |
| - Belarus | - | 2,074 | 2,074 |
| - Other countries | 17 | 500 | 517 |
| Total | 17 | 2,574 | 2,591 |

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

| | Speculative rating | Not rated | Total |
|--|-------------------------------|------------------|---------------|
| Time deposits and loans to banks: | | | |
| - Belarus | - | 9,429 | 9,429 |
| - Other countries | - | 1,440 | 1,440 |
| Total | - | 10,869 | 10,869 |

As at 30 September 2016 and 31 December 2015 included in due from banks are long-term loans issued to JSC "Belagroprombank" under the Government's program on financing for acquisition of agricultural equipment for the total amount of BYN 2,074 thousands and BYN 3,115 thousands, respectively, with maturities of up to 10 years and interest rate amounting to the refinancing rate of the National Bank.

5. Derivative financial instruments

As at 30 September 2016 and 31 December 2015 derivative financial instruments comprise:

| Derivative type | Nominal amount (in units of currency to be purchased) | Fair value as at 30 September 2016 | |
|---|--|---|------------------|
| | | Asset | Liability |
| XAU/USD precious metals forward | XAU 730,932 | 97 | - |
| BYN/ USD foreign currency forward | BYN 32,824,326 | 74 | - |
| EUR/USD foreign currency forward | EUR 8,810,000 | 33 | 4 |
| XAG/USD precious metals forward | XAG 3,421,385 | 23 | - |
| USD/RUB foreign currency forward | USD 86,120,000 | 16 | 2,193 |
| RUB/USD foreign currency forward | RUB 186,320,025 | 13 | - |
| BYN/EUR foreign currency forward | BYN 3,470,058 | 12 | - |
| USD/EUR foreign currency forward | USD 4,935,300 | 4 | 5 |
| EUR/RUB foreign currency forward | EUR 50,000 | - | - |
| PLN/RUB foreign currency forward | PLN 100,000 | - | - |
| RUB/BYN foreign currency forward | RUB 3,000,000 | - | - |
| RUB/EUR foreign currency forward | RUB 320,000 | - | - |
| Total derivative financial instruments | | 272 | 2,202 |

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

| <i>Derivative type</i> | <i>Nominal amount (in units of currency to be purchased)</i> | <i>Fair value as at 31 December 2015</i> | |
|---|--|--|------------------|
| | | <i>Asset</i> | <i>Liability</i> |
| EUR/BYN foreign currency swap | EUR 117,621,077 | 183,990 | - |
| USD/BYN foreign currency swap | USD 71,380,651 | 107,696 | 6 |
| USD/EUR foreign currency forward | USD 160,699,810 | 31 | 35 |
| BYN/EUR foreign currency swap | BYN 67,287,726,000 | 30 | - |
| RUB/USD foreign currency forward | RUB 240,640,000 | 16 | - |
| EUR/USD foreign currency forward | EUR 6,150,000 | 4 | - |
| PLN/USD foreign currency forward | PLN 100,000 | - | - |
| XAG/USD precious metals forward | XAG 4,198,973 | - | 4 |
| XPT/USD precious metals forward | XPT 52,876 | - | 23 |
| XAU/USD precious metals forward | XAU 738,708 | - | 55 |
| EUR/RUB foreign currency forward | EUR 3,000,000 | - | 87 |
| USD/RUB foreign currency forward | USD 54,700,000 | - | 516 |
| Total derivative financial instruments | | 291,767 | 726 |

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

On 10th October, 2014, the National Bank of the Republic of Belarus has resolved to refinance forward deal (pair euro – Belarusian ruble), concluded with the Bank. In the aftermath of the aforesaid decision the Group has purchased foreign currency bonds of the National Bank in the amount of 140,000 bonds with nominal EUR 1,000 totaling EUR 140 mln., and at the same the Group has recognised issued loan to the National Bank, totaling BYN 59,658 thousands. Considering specific conditions of the deal, purchasing of the aforesaid bonds and issuing of the loan were treated as the prolongation of the matured forward deal and recognised at fair value. On 25th February, 2016, the National Bank's bonds were redeemed and the aforesaid currency swap was closed.

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

The tables below show credit quality of the Group's loan portfolio by loan classes as at 30 September 2016 and 31 December 2015.

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

| 30 September 2016 | Not past due loans | Past due loans | Total |
|--|---------------------------|-----------------------|------------------|
| Commercial loans to legal entities | 1,003,983 | 280,022 | 1,284,005 |
| Specialized loans to legal entities | 968,995 | 479,770 | 1,448,765 |
| Consumer and other loans to individuals | 63,942 | 6,670 | 70,612 |
| Credit cards and overdrafts | 31,769 | 2,342 | 34,111 |
| Mortgage loans to individuals | 53,591 | 3,719 | 57,310 |
| Car loans to individuals | 6,219 | 511 | 6,730 |
| Total loans to customers before allowance for loan impairment | 2,128,499 | 773,034 | 2,901,533 |
| Less: allowance for loan impairment | (175,580) | (330,546) | (506,126) |
| Total loans to customers net of allowance for loan impairment | 1,952,919 | 442,488 | 2,395,407 |

| 31 December 2015 | Not past due loans | Past due loans | Total |
|--|---------------------------|-----------------------|------------------|
| Commercial loans to legal entities | 1,136,959 | 264,101 | 1,401,060 |
| Specialized loans to legal entities | 1,393,278 | 199,741 | 1,593,019 |
| Consumer and other loans to individuals | 71,928 | 6,038 | 77,966 |
| Credit cards and overdrafts | 25,767 | 1,684 | 27,451 |
| Mortgage loans to individuals | 58,930 | 3,683 | 62,613 |
| Car loans to individuals | 7,122 | 500 | 7,622 |
| Total loans to customers before allowance for loan impairment | 2,693,984 | 475,747 | 3,169,731 |
| Less: allowance for loan impairment | (186,240) | (202,378) | (388,618) |
| Total loans to customers net of allowance for loan impairment | 2,507,744 | 273,369 | 2,781,113 |

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 Roubles)***6. Loans to customers (continued)**

The table below shows the analysis of loans and allowance for loan impairment as at 30 September 2016:

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|---|--------------------|--|------------------|---|
| Commercial loans to legal entities | | | | |
| <i>Individually assessed but not impaired and collectively assessed loans</i> | | | | |
| Not past due | 739,062 | (15,118) | 723,944 | 2.0% |
| Loans up to 30 days overdue | 6,265 | (146) | 6,119 | 2.3% |
| Loans 31 to 60 days overdue | 4,713 | (63) | 4,650 | 1.3% |
| Loans 61 to 90 days overdue | 17,648 | (245) | 17,403 | 1.4% |
| Loans 91 up to 180 days overdue | 22,166 | (1,167) | 20,999 | 5.3% |
| Loans over 180 days overdue | 51,146 | (10,765) | 40,381 | 21.0% |
| Total collectively assessed loans | 841,000 | (27,504) | 813,496 | 3.3% |
| Individually impaired | | | | |
| Not past due | 264,921 | (40,931) | 223,990 | 15.5% |
| Loans up to 30 days overdue | - | - | - | - |
| Loans 31 to 60 days overdue | 177 | (9) | 168 | 5.1% |
| Loans 61 to 90 days overdue | - | - | - | - |
| Loans 91 up to 180 days overdue | 23,977 | (6,741) | 17,236 | 28.1% |
| Loans over 180 days overdue | 153,930 | (87,178) | 66,752 | 56.6% |
| Total individually impaired loans | 443,005 | (134,859) | 308,146 | 30.4% |
| Total commercial loans to legal entities | 1,284,005 | (162,363) | 1,121,642 | 12.6% |
| Specialized loans to legal entities | | | | |
| <i>Individually assessed but not impaired and collectively assessed loans</i> | | | | |
| Not past due | 439,118 | (47,257) | 391,861 | 10.8% |
| Loans up to 30 days overdue | - | - | - | - |
| Loans 31 to 60 days overdue | 5,190 | (128) | 5,062 | 2.5% |
| Loans 61 to 90 days overdue | 3,390 | (17) | 3,373 | 0.5% |
| Loans 91 up to 180 days overdue | 27,021 | (3,341) | 23,680 | 12.4% |
| Loans over 180 days overdue | 22,239 | (3,978) | 18,261 | 17.9% |
| Total collectively assessed loans | 496,958 | (54,721) | 442,237 | 11.0% |
| Individually impaired | | | | |
| Not past due | 529,877 | (69,398) | 460,479 | 13.1% |
| Loans up to 30 days overdue | - | - | - | - |
| Loans 31 to 60 days overdue | 45 | (17) | 28 | 37.8% |
| Loans 61 to 90 days overdue | - | - | - | - |
| Loans 91 up to 180 days overdue | 758 | (186) | 572 | 24.5% |
| Loans over 180 days overdue | 421,127 | (208,089) | 213,038 | 49.4% |
| Total individually impaired loans | 951,807 | (277,690) | 674,117 | 29.2% |
| Total specialized loans to legal entities | 1,448,765 | (332,411) | 1,116,354 | 22.9% |
| Total loans to legal entities | 2,732,770 | (494,774) | 2,237,996 | 18.1% |

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

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|--|--------------------|--|------------------|---|
| Consumer and other loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 63,942 | (228) | 63,714 | 0.4% |
| Loans up to 30 days overdue | 1,293 | (231) | 1,062 | 17.9% |
| Loans 31 to 60 days overdue | 401 | (207) | 194 | 51.6% |
| Loans 61 to 90 days overdue | 280 | (280) | - | 100.0% |
| Loans 91 up to 180 days overdue | 604 | (604) | - | 100.0% |
| Loans over 180 days overdue | 4,092 | (4,092) | - | 100.0% |
| Total consumer and other loans to individuals | 70,612 | (5,642) | 64,970 | 8.0% |
| Credit cards and overdrafts | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 31,769 | (2,394) | 29,375 | 7.5% |
| Loans up to 30 days overdue | 2,342 | (177) | 2,165 | 7.6% |
| Loans 31 to 60 days overdue | - | - | - | - |
| Loans 61 to 90 days overdue | - | - | - | - |
| Loans 91 up to 180 days overdue | - | - | - | - |
| Loans over 180 days overdue | - | - | - | - |
| Total credit cards and overdrafts | 34,111 | (2,571) | 31,540 | 7.5% |
| Mortgage loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 53,591 | (237) | 53,354 | 0.4% |
| Loans up to 30 days overdue | 1,315 | (239) | 1,076 | 18.2% |
| Loans 31 to 60 days overdue | 447 | (325) | 122 | 72.7% |
| Loans 61 to 90 days overdue | 219 | (211) | 8 | 96.3% |
| Loans 91 up to 180 days overdue | 592 | (592) | - | 100.0% |
| Loans over 180 days overdue | 1,146 | (1,146) | - | 100.0% |
| Total mortgage loans to individuals | 57,310 | (2,750) | 54,560 | 4.8% |
| Car loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 6,219 | (17) | 6,202 | 0.3% |
| Loans up to 30 days overdue | 129 | (17) | 112 | 13.2% |
| Loans 31 to 60 days overdue | 42 | (15) | 27 | 35.7% |
| Loans 61 to 90 days overdue | - | - | - | - |
| Loans 91 up to 180 days overdue | 89 | (89) | - | 100.0% |
| Loans over 180 days overdue | 251 | (251) | - | 100.0% |
| Total car loans to individuals | 6,730 | (389) | 6,341 | 5.8% |
| Total loans to individuals | 168,763 | (11,352) | 157,411 | 6.7% |
| Total loans and advances to customers as at 30 September 2016 | 2,901,533 | (506,126) | 2,395,407 | 17.4% |

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

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

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|---|--------------------|--|------------------|---|
| Commercial loans to legal entities | | | | |
| <i>Individually assessed but not impaired and collectively assessed loans</i> | | | | |
| Not past due | 955,263 | (25,632) | 929,631 | 2.7% |
| Loans up to 30 days overdue | 243 | (7) | 236 | 2.8% |
| Loans 31 to 60 days overdue | 19,301 | (203) | 19,098 | 1.1% |
| Loans 61 to 90 days overdue | 20,363 | (332) | 20,031 | 1.6% |
| Loans 91 up to 180 days overdue | 8,753 | (142) | 8,611 | 1.6% |
| Loans over 180 days overdue | 33,799 | (6,336) | 27,463 | 18.7% |
| Total collectively assessed loans | 1,037,722 | (32,652) | 1,005,070 | 3.1% |
| Individually impaired | | | | |
| Not past due | 181,696 | (16,423) | 165,273 | 9.0% |
| Loans up to 30 days overdue | - | - | - | - |
| Loans 31 to 60 days overdue | 26,439 | (9,407) | 17,032 | 35.6% |
| Loans 61 to 90 days overdue | 57,821 | (34,110) | 23,711 | 59.0% |
| Loans 91 up to 180 days overdue | 27,731 | (15,967) | 11,764 | 57.6% |
| Loans over 180 days overdue | 69,651 | (37,750) | 31,901 | 54.2% |
| Total individually impaired loans | 363,338 | (113,657) | 249,681 | 31.3% |
| Total commercial loans to legal entities | 1,401,060 | (146,309) | 1,254,751 | 10.4% |
| Specialized loans to legal entities | | | | |
| <i>Individually assessed but not impaired and collectively assessed loans</i> | | | | |
| Not past due | 854,763 | (53,214) | 801,549 | 6.2% |
| Loans up to 30 days overdue | - | - | - | - |
| Loans 31 to 60 days overdue | 11,895 | (1,136) | 10,759 | 9.6% |
| Loans 61 to 90 days overdue | 4,604 | (1,055) | 3,549 | 22.9% |
| Loans 91 up to 180 days overdue | 8,619 | (957) | 7,662 | 11.1% |
| Loans over 180 days overdue | 7,814 | (2,206) | 5,608 | 28.2% |
| Total collectively assessed loans | 887,695 | (58,568) | 829,127 | 6.6% |
| Individually impaired | | | | |
| Not past due | 538,515 | (89,018) | 449,497 | 16.5% |
| Loans up to 30 days overdue | - | - | - | - |
| Loans 31 to 60 days overdue | 1,272 | (287) | 985 | 22.5% |
| Loans 61 to 90 days overdue | 9,118 | (1,965) | 7,153 | 21.6% |
| Loans 91 up to 180 days overdue | 76,442 | (44,058) | 32,384 | 57.6% |
| Loans over 180 days overdue | 79,977 | (39,326) | 40,651 | 49.2% |
| Total individually impaired loans | 705,324 | (174,654) | 530,670 | 24.8% |
| Total specialized loans to legal entities | 1,593,019 | (233,222) | 1,359,797 | 14.6% |
| Total loans to legal entities | 2,994,079 | (379,531) | 2,614,548 | 12.7% |

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

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|---|--------------------|--|------------------|---|
| Consumer and other loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 71,928 | (257) | 71,671 | 0.4% |
| Loans up to 30 days overdue | 1,518 | (234) | 1,284 | 15.4% |
| Loans 31 to 60 days overdue | 500 | (263) | 237 | 52.7% |
| Loans 61 to 90 days overdue | 277 | (276) | 1 | 99.9% |
| Loans 91 up to 180 days overdue | 651 | (651) | - | 100.0% |
| Loans over 180 days overdue | 3,092 | (3,092) | - | 100.0% |
| Total consumer and other loans to individuals | 77,966 | (4,773) | 73,193 | 6.1% |
| Credit cards and overdrafts | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 25,767 | (1,411) | 24,356 | 5.5% |
| Loans up to 30 days overdue | 1,684 | (92) | 1,592 | 5.5% |
| Loans 31 to 60 days overdue | - | - | - | - |
| Loans 61 to 90 days overdue | - | - | - | - |
| Loans 91 up to 180 days overdue | - | - | - | - |
| Loans over 180 days overdue | - | - | - | - |
| Total credit cards and overdrafts | 27,451 | (1,503) | 25,948 | 5.5% |
| Mortgage loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 58,930 | (250) | 58,680 | 0.4% |
| Loans up to 30 days overdue | 1,562 | (240) | 1,322 | 15.3% |
| Loans 31 to 60 days overdue | 388 | (238) | 150 | 61.2% |
| Loans 61 to 90 days overdue | 315 | (264) | 51 | 83.8% |
| Loans 91 up to 180 days overdue | 270 | (270) | - | 100.0% |
| Loans over 180 days overdue | 1,148 | (1,148) | - | 100.0% |
| Total mortgage loans to individuals | 62,613 | (2,410) | 60,203 | 3.8% |
| Car loans to individuals | | | | |
| <i>Collectively assessed</i> | | | | |
| Not past due | 7,122 | (35) | 7,087 | 0.5% |
| Loans up to 30 days overdue | 143 | (28) | 115 | 19.7% |
| Loans 31 to 60 days overdue | 60 | (42) | 18 | 70.1% |
| Loans 61 to 90 days overdue | 17 | (16) | 1 | 94.7% |
| Loans 91 up to 180 days overdue | 69 | (69) | - | 100.0% |
| Loans over 180 days overdue | 211 | (211) | - | 100.0% |
| Total car loans to individuals | 7,622 | (401) | 7,221 | 5.3% |
| Total loans to individuals | 175,652 | (9,087) | 166,565 | 5.2% |
| Total loans and advances to customers as at 31 December 2015 | 3,169,731 | (388,618) | 2,781,113 | 12.3% |

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

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

As at 30 September 2016 the outstanding non-performing loans were as follows:

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|--|--------------------|--|------------------|---|
| Commercial loans to legal entities | 251,219 | (105,851) | 145,368 | 42.1% |
| Specialised loans to legal entities | 471,145 | (215,594) | 255,551 | 45.8% |
| Consumer and other loans to individuals | 4,696 | (4,696) | - | 100.0% |
| Mortgage loans to individuals | 1,738 | (1,738) | - | 100.0% |
| Car loans to individuals | 340 | (340) | - | 100.0% |
| Total non-performing loans to customers as at 30 September 2016 | 729,138 | (328,219) | 400,919 | 45.0% |

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

| | Gross loans | Allowance for loan impairment | Net loans | Allowance for loan impairment to gross loans |
|---|--------------------|--|------------------|---|
| Commercial loans to legal entities | 139,934 | (60,195) | 79,739 | 43.0% |
| Specialised loans to legal entities | 172,852 | (86,547) | 86,305 | 50.1% |
| Consumer and other loans to individuals | 3,743 | (3,743) | - | 100.0% |
| Mortgage loans to individuals | 1,418 | (1,418) | - | 100.0% |
| Car loans to individuals | 280 | (280) | - | 100.0% |
| Total non-performing loans to customers as at 31 December 2015 | 318,227 | (152,183) | 166,044 | 47.8% |

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

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

| | 30 September 2016 | 31 December 2015 |
|--|--------------------------|-------------------------|
| Commercial loans to legal entities | 54,193 | 83,787 |
| Specialised loans to legal entities | 60,810 | 17,225 |
| Consumer and other loans to individuals | 93 | 61 |
| Mortgage loans to individuals | 644 | 556 |
| Car loans to individuals | - | 3 |
| Total renegotiated loans before allowance for loan impairment | 115,740 | 101,632 |

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

| | 30 September 2016 | 31 December 2015 |
|---|------------------------------|-----------------------------|
| Largest clients | 794,722 | 890,420 |
| Large clients | 1,361,477 | 1,432,934 |
| Medium business | 277,606 | 299,815 |
| Small business | 298,965 | 370,910 |
| Total loans to legal entities before allowance for loan impairment | 2,732,770 | 2,994,079 |

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

Included in commercial loans to legal entities are net investments in finance lease. The analysis of net investments in finance lease as at 30 September 2016 and 31 December 2015 is as follows:

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Gross investment in finance lease | 101,083 | 7,013 |
| Unearned future finance income on finance lease | (52,758) | (2,360) |
| Net investment in finance lease before allowance for impairment | 48,325 | 4,653 |
| Less allowance for impairment | (22,415) | (1,348) |
| Net investment in finance lease after allowance for impairment | 25,910 | 3,305 |

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

| | Net investment in finance lease before allowance for impairment | Allowance for loan impairment | Net investment in finance lease after allowance for impairment |
|--|--|--|---|
| Not later than 1 year | 1,333 | (618) | 715 |
| Later than 1 year but not later than 5 years | 19,377 | (8,988) | 10,389 |
| Later than 5 years | 27,615 | (12,809) | 14,806 |
| Total as at 30 September 2016 | 48,325 | (22,415) | 25,910 |

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

| | Net investment in finance lease before allowance for impairment | Allowance for loan impairment | Net investment in finance lease after allowance for impairment |
|--|--|--|---|
| Not later than 1 year | 3,393 | (983) | 2,410 |
| Later than 1 year but not later than 5 years | 1,260 | (365) | 895 |
| Later than 5 years | - | - | - |
| Total as at 31 December 2015 | 4,653 | (1,348) | 3,305 |

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

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Not later than 1 year | 5,544 | 5,147 |
| Later than 1 year but not later than 5 years | 53,087 | 1,866 |
| Later than 5 years | 42,452 | - |
| Total | 101,083 | 7,013 |

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

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

| | 30 September 2016 | | 31 December 2015 | |
|--|--------------------------|--------------|-------------------------|--------------|
| | Amount | % | Amount | % |
| Real estate | 787,246 | 27.2 | 775,318 | 24.3 |
| Trade and catering | 448,912 | 15.5 | 520,321 | 16.4 |
| Food | 311,362 | 10.7 | 300,891 | 9.5 |
| Machinery and equipment | 279,447 | 9.6 | 405,286 | 12.8 |
| Individuals | 168,763 | 5.8 | 175,652 | 5.5 |
| Metallurgy | 116,775 | 4.0 | 74,641 | 2.4 |
| Construction | 93,502 | 3.2 | 117,365 | 3.7 |
| Financial services | 82,713 | 2.9 | 101,275 | 3.2 |
| Building materials | 81,614 | 2.8 | 86,244 | 2.7 |
| Chemical and oil refinery industry | 77,372 | 2.7 | 178,784 | 5.6 |
| Energy and fuel | 76,513 | 2.6 | 56,111 | 1.8 |
| Timber and woodworking industry | 70,469 | 2.4 | 71,634 | 2.3 |
| Agriculture | 60,597 | 2.1 | 46,212 | 1.5 |
| Light industry | 57,006 | 2.0 | 55,832 | 1.8 |
| Transport and communication | 41,024 | 1.4 | 49,555 | 1.6 |
| Mining | 25,880 | 0.9 | 23,980 | 0.8 |
| Other | 122,338 | 4.2 | 130,630 | 4.1 |
| Total loans to customers before allowance for loan impairment | 2,901,533 | 100.0 | 3,169,731 | 100.0 |

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

| | 30 September 2016 | 31 December 2015 |
|--|--------------------------|-------------------------|
| Loans collateralized by equipment and rights thereon | 986,169 | 569,612 |
| Loans collateralized by real estate or rights thereon | 859,839 | 1,400,186 |
| Loans collateralized by guarantees of individuals | 224,378 | 112,857 |
| Loans collateralized by lien over receivables | 220,371 | 392,408 |
| Loans collateralized by guarantees of the Government and local authorities | 141,776 | 50,368 |
| Loans collateralized by guarantees of enterprises | 130,100 | 162,050 |
| Loans collateralized by means of transport | 109,991 | 123,536 |
| Loans collateralized by inventories | 59,205 | 193,089 |
| Loans collateralized by cash or guarantee deposits | 11,715 | 10,401 |
| Loans collateralized by other types of collateral | 157,989 | 155,224 |
| | 2,901,533 | 3,169,731 |
| Less allowance for loan impairment | (506,126) | (388,618) |
| Total loans to customers | 2,395,407 | 2,781,113 |

As at 30 September 2016 the aggregated loan amount of 20 largest borrowers was BYN 1,245,299 thousands or 42.9% of the total gross loan portfolio of the Group (31 December 2015: BYN 1,220,362 thousands or 38.5%).

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

At the 30 September 2016 the Group has entered into Funded Participation Deals. As at 30 September 2016 The Group issued loans to its corporate customers funded by the banks of Sberbank of Russia Group in amount of BYN 1,410,025 thousands (31 December 2015: 1,523,763). As a result of the transfer of credit risks and rewards on related financial assets in the share 99% and 100% took place and respective part of loans to customers was derecognised. The rest of credit risks and rewards comprised BYN 6,522 thousands and BYN 15,321 thousands as at 30 September 2016 and 31 December 2015 respectively.

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

As at 30 September 2016 and 31 December 2015 non-current assets held for sale include premises previously used by the Group, residential real estate, selling spaces and other estate of a bankrupted borrowers.

The Management has elaborated a plan to dispose premises and equipment. The sale transactions for these assets are expected to be completed in 2017.

8. Investments available for sale

Investments available for sale comprise:

| | <i>Interest to nominal, %</i> | <i>30 September 2016</i> | <i>Interest to nominal, %</i> | <i>31 December 2015</i> |
|---|-------------------------------|--------------------------|-------------------------------|-------------------------|
| Long-term government bonds in foreign currency | 6.50%-7.25% | 269,006 | 6.85%-7.25% | 647,780 |
| Long-term government bonds in national currency | 18.00% | 61,307 | 25.0% | 61,146 |
| Shares | - | 3,383 | - | 3,214 |
| Bonds issued by municipalities | 18.00% | 1,134 | 25.0% | 1,174 |
| Bonds of Belarusian banks | - | - | 6.00% | 6,162 |
| Total investments available for sale | | 334,830 | | 719,476 |

9. Investments held to maturity

Investments held to maturity comprise:

| | <i>Currency</i> | <i>Maturity date</i> | <i>Interest to nominal</i> | <i>30 September 2016</i> |
|--|-----------------|----------------------|----------------------------|--------------------------|
| Bonds issued by municipalities | BYN | July 2020 | 22.00% | 1,061 |
| Bonds issued by the National Bank of the Republic of Belarus | BYN | October 2016 | 13.99% | 991 |
| Total investments held to maturity | | | | 2,052 |

| | <i>Currency</i> | <i>Maturity date</i> | <i>Interest to nominal</i> | <i>31 December 2015</i> |
|---|-----------------|----------------------|----------------------------|-------------------------|
| Bonds issued by municipalities | BYN | July 2020 | 25.00% | 1,061 |
| Total investments held to maturity | | | | 1,061 |

10. Premises and equipment and intangible assets

For the 9 months ended 30 September 2016 the Group's premises, equipment, and intangible assets additions amounted to BYN 18,641 thousands (for the 9 months ended 30 September 2015 - BYN 24,913 thousands), disposals of premises, equipment, and intangible assets amounted to 1,260 thousands (for the 9 months ended 30 September 2015 - BYN 658 thousands).

As at 30 September 2016 included in computer equipment are fully depreciated items in the amount of BYN 15,616 thousands (31 December 2015: BYN 15,921 thousands), in vehicles in the amount of BYN 295 thousands (31 December 2015: BYN 4,332 thousands) and in furniture and other assets in the amount of BYN 12,808 thousands (31 December 2015: BYN 10,919 thousands).

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

Other assets comprise:

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Other financial assets | | |
| Accrued income | 6,229 | 6,316 |
| Receivables on Group's cards settlements | 3,130 | 16,626 |
| Other accounts receivables due to business transactions to be settled in cash | 1,276 | 51 |
| Accounts receivables due to business transactions to be settled in cash Receivables from purchasers of Group's fixed assets | 63 | 61 |
| | 10,698 | 23,054 |
| Other non-financial assets | | |
| Taxes recoverable and prepaid, other than income taxes | 17,294 | 7,556 |
| Precious metals | 10,712 | 6,331 |
| Premises in stock | 6,013 | 6,013 |
| Prepaid expenses | 3,812 | 4,090 |
| Prepayments for premises, equipment and intangible assets | 1,877 | 1,464 |
| Inventory | 268 | 28 |
| Other advances and prepayments | 3,756 | 2,662 |
| | 43,732 | 28,144 |
| Total other assets | 54,430 | 51,198 |

12. Due to banks

Due to banks comprise:

| | 30 September 2016 | 31 December 2015 |
|---|------------------------------|-----------------------------|
| Loans from banks and financial institutions | 191,857 | 551,267 |
| Trade finance deals | 218,418 | 383,953 |
| Correspondent accounts of banks | 64,485 | 30,331 |
| Total due to banks | 474,760 | 965,551 |

As at 30 September 2016 a balance of due to banks amounting to BYN 261,298 thousands was to two counterparties, including BYN 171,629 thousands due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

As at 31 December 2015 a balance of due to banks amounting to BYN 783,721 thousands was to three counterparties, including BYN 632,344 thousands due to Sberbank of Russia, which individually exceeded 10% of the Group's equity.

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

Due to individuals and corporate customers comprise:

| | 30 September 2016 | 31 December 2015 |
|---|------------------------------|-----------------------------|
| Individuals: | | |
| - Current/demand accounts | 235,482 | 285,514 |
| - Term deposits | 1,412,866 | 1,536,831 |
| Total due to individuals | 1,648,348 | 1,822,345 |
| State and public organisations: | | |
| - Current/settlement accounts | 15,213 | 14,534 |
| - Term deposits | 21,657 | 24,502 |
| Total due to state and public organisations | 36,870 | 39,036 |
| Other corporate customers: | | |
| - Current/settlement accounts | 342,927 | 284,443 |
| - Term deposits | 580,126 | 699,690 |
| Total due to other corporate customers | 923,053 | 984,133 |
| Total due to corporate customers | 959,923 | 1,023,169 |
| Total due to individuals and corporate customers | 2,608,271 | 2,845,514 |

As at 30 September 2016 included in due to corporate customers are deposits of BYN 38,246 thousands (31 December 2015: BYN 46,950 thousands) held as collateral for irrevocable commitments under import letters of credit.

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

As at 30 September 2016 the aggregated balances of 20 largest customers was BYN 382,919 thousands or 14.7% of total due to individuals and corporate customers (31 December 2015: BYN 397,710 thousands or 14.0%).

Industry sector concentrations within customer accounts are as follows:

| | 30 September 2016 | | 31 December 2015 | |
|---|------------------------------|--------------|-----------------------------|--------------|
| | Amount | % | Amount | % |
| Individuals | 1,648,348 | 63.2 | 1,822,345 | 64.0 |
| Transport | 226,547 | 8.7 | 230,820 | 8.1 |
| Process industry | 185,579 | 7.1 | 234,708 | 8.2 |
| Trade | 109,643 | 4.2 | 127,680 | 4.5 |
| Scientific work | 93,529 | 3.6 | 58,685 | 2.1 |
| Communications | 75,377 | 2.9 | 85,195 | 3.0 |
| Agriculture | 34,402 | 1.3 | 30,410 | 1.1 |
| Sport & art | 32,043 | 1.2 | 27,277 | 1.0 |
| Insurance and other financial services | 29,142 | 1.1 | 24,522 | 0.9 |
| Energy | 19,093 | 0.7 | 3,431 | 0.1 |
| Hotel business | 18,209 | 0.7 | 19,427 | 0.7 |
| Administrative | 15,059 | 0.6 | 5,415 | 0.2 |
| Education | 14,914 | 0.6 | 6,047 | 0.2 |
| Public health | 5,104 | 0.2 | 12,294 | 0.4 |
| State and government bodies | 4,888 | 0.2 | 25 | - |
| Construction | 4,589 | 0.2 | 119,340 | 4.2 |
| Mining | 4,508 | 0.2 | 2,393 | 0.1 |
| Household | 4,228 | 0.2 | 12,086 | 0.4 |
| Mediation | 73 | 0.1 | 11,179 | 0.4 |
| Other | 82,996 | 3.0 | 12,235 | 0.4 |
| Total due to individuals and corporate customers | 2,608,271 | 100.0 | 2,845,514 | 100.0 |

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

Debt securities issued comprise:

| | 30 September 2016 | 31 December 2015 |
|-------------------------------------|------------------------------|-----------------------------|
| Bonds issued to legal entities | 119,947 | 176,906 |
| Bonds issued to individuals | 670 | 11,834 |
| Certificates of deposit | 729 | 126 |
| Total debt securities issued | 121,346 | 188,866 |

Bonds issued to legal entities are interest-bearing securities issued by the Group. They are denominated in BYR, USD, RUB and EUR and have maturity dates from “on demand” to December 2024 (31 December 2015: from “on demand” to December 2024). Interest rates on such bonds vary from 5 - 7.5% (for bonds in USD, EUR and RUB) to 18-20% (for bonds in BYR) p.a. (31 December 2015: from 5-7.5% (for bonds in USD, EUR and RUB) to 24-27% (for bonds in BYR) p.a.

In 2016 the Group has not issued new bonds to individuals. All bonds sold during the year have been issued previously.

15. Other liabilities

Other liabilities comprise:

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Other financial liabilities | | |
| Payables for finance lease | 61,487 | 60,721 |
| Unused leave and bonus accrual | 5,706 | 8,765 |
| Payments due to other contractors | 2,693 | 5,544 |
| Accrued contributions to deposits protection fund | 2,393 | 2,707 |
| Accrued fee payable under documentary transactions and transactions with plastic cards | 2,047 | 1,952 |
| Payables of dividends | 5 | 5 |
| Payables for premises and equipment | - | 138 |
| Settlement accounts on other banking services | 38 | 2,310 |
| | 74,369 | 82,142 |
| Other non-financial liabilities | | |
| Taxes payable, other than income taxes | 5,703 | 5,309 |
| Other | 983 | 979 |
| | 6,686 | 6,288 |
| Total other liabilities | 81,055 | 88,430 |

As at 30 September 2016 and 31 December 2015 payables for finance lease arised from sell and lease back operations, conducted by the Group, with its own office premises.

Liabilities under finance lease agreements as at 30 September 2016 and as at 31 December 2015 are analyzed as follows:

| 30 September 2016 | Not later than 1 year | Later than 1 year and not later than 5 years | Later than 5 years | Total |
|---|----------------------------------|---|-------------------------------|-----------------|
| Minimum lease payments | 11,524 | 44,881 | 46,346 | 102,751 |
| Future finance costs | (7,559) | (24,147) | (9,558) | (41,264) |
| Net liabilities under finance lease agreements | 3,965 | 20,734 | 36,788 | 61,487 |

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

| 31 December 2015 | Not later than 1 year | Later than 1 year and not later than 5 years | Later than 5 years | Total |
|---|----------------------------------|---|-------------------------------|-----------------|
| Minimum lease payments | 10,830 | 42,189 | 51,458 | 104,477 |
| Future finance costs | (7,363) | (24,095) | (12,298) | (43,756) |
| Net liabilities under finance lease agreements | 3,467 | 18,094 | 39,160 | 60,721 |

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

| 30 September 2016 | Not later than 1 year | Later than 1 year and not later than 5 years | Later than 5 years | Total |
|---|----------------------------------|---|-------------------------------|----------------|
| Minimum lease payments | 11,524 | 44,881 | 46,346 | 102,751 |
| Present value of minimum lease payments | 10,732 | 30,745 | 20,010 | 61,487 |

| 31 December 2015 | Not later than 1 year | Later than 1 year and not later than 5 years | Later than 5 years | Total |
|---|----------------------------------|---|-------------------------------|----------------|
| Minimum lease payments | 10,830 | 42,189 | 51,458 | 104,477 |
| Present value of minimum lease payments | 9,703 | 29,203 | 21,815 | 60,721 |

16. Share capital

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

| | Number of shares | | Nominal amount, BYN | | Hyperinflation adjustment | Total |
|-------------------|-------------------------|-----------------|----------------------------|-----------------|--------------------------------------|----------------|
| | Preferred | Ordinary | Preferred | Ordinary | | |
| 31 December 2015 | 871,112 | 1,470,828,888 | 0.05 | 0.05 | 248,171 | 321,756 |
| 30 September 2016 | 870,805 | 1,470,828,888 | 0.05 | 0.05 | 248,171 | 321,756 |

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 30 September 2016 307 preference shares were repurchased by Group from shareholders and then canceled.

During the 9 months ended 30 September 2016 the Bank declared BYN 44 thousands dividends on preference shares for the year 2015. The dividends were BYN 0.05 per preference share.

During the 9 months ended 30 September 2015 the Bank declared BYN 44 thousands dividends on preference shares for the year 2014. The dividends were BYN 0.05 per preference share.

In accordance with Belarussian legislation, dividends may only be declared to the shareholders of the Bank from retained undistributed earnings of previous years and net profit of the current year as shown in the Bank's financial statements prepared in accordance with Belarussian GAAP. The Bank had approximately BYN 15,842 thousands of net profit during the 9 months ended 30 September 2016 (BYN 22,469 thousands for the year, ended 31 December 2015).

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

The net interest income before allowance for loan impairment comprises:

| | 3 months ended 30 September 2016 | 3 months ended 30 September 2015 | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|---|---|---|---|---|
| Interest income | | | | |
| Interest on loans to corporate customers | 80,166 | 125,726 | 324,100 | 392,777 |
| Interest on loans to individuals | 12,169 | 14,476 | 37,291 | 45,134 |
| Interest on investments available for sale | 9,042 | 3,951 | 37,126 | 11,231 |
| Interest on due from banks | 843 | 1,224 | 2,618 | 5,298 |
| Interest on investments held to maturity | 67 | 276 | 193 | 1,523 |
| Total interest income | 102,287 | 145,653 | 401,328 | 455,963 |
| Interest expense | | | | |
| Interest on due to individuals | 19,293 | 31,236 | 65,738 | 94,511 |
| Interest on due to corporate customers | 15,703 | 22,847 | 60,315 | 78,789 |
| Interest on deposits from banks | 4,535 | 15,704 | 22,683 | 48,515 |
| Interest on debt securities issued to corporate customers | 2,313 | 3,125 | 9,035 | 10,707 |
| Interest on Subordinated loan | 2,274 | - | 5,070 | 2,192 |
| Interest on deposits from National Bank | 358 | 35 | 6,488 | 7,333 |
| Interest on debt securities issued to individuals | - | - | 111 | 338 |
| Total interest expense | 44,476 | 72,947 | 169,440 | 242,385 |
| Contributions to deposits protection fund | 2,425 | 2,727 | 7,763 | 11,704 |
| Net interest income before allowance for loan impairment | 55,386 | 69,979 | 224,125 | 201,874 |

18. Allowance for loan impairment, other provisions

The movements in allowance for loan impairment were as follows:

| | Commercial loans | Specialized loans | Consumer and other loans | Loans to individuals | | | Total |
|--|-------------------------|--------------------------|---------------------------------|------------------------------------|-----------------------|------------------|----------------|
| | | | | Credit cards and overdrafts | Mortgage loans | Car loans | |
| 31 December 2014 | 54,537 | 72,681 | 2,796 | 690 | 1,448 | 184 | 132,336 |
| Allowance charge for the period | 76,177 | 137,042 | 2,073 | 516 | 1,875 | 144 | 217,827 |
| Amounts written off | (16,913) | (1,661) | - | - | - | - | (18,574) |
| 30 September 2015 | 113,801 | 208,062 | 4,869 | 1,206 | 3,323 | 328 | 331,589 |
| 31 December 2015 | 146,310 | 233,221 | 4,773 | 1,503 | 2,409 | 402 | 388,618 |
| Allowance charge/ (reversal of allowance) for the period | 78,223 | 109,074 | 869 | 1,068 | 341 | (13) | 189,562 |
| Recovery of loans previously written off | 1,122 | 151 | - | - | - | - | 1,273 |
| Amounts written off | (63,292) | (10,035) | - | - | - | - | (73,327) |
| 30 September 2016 | 162,363 | 332,411 | 5,642 | 2,571 | 2,750 | 389 | 506,126 |

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

| | Guarantees and other commitments |
|--------------------------|---|
| 31 December 2014 | 1,120 |
| Reversal of provision | (312) |
| 30 September 2015 | 808 |
| 31 December 2015 | 1,063 |
| Reversal of provision | (1,028) |
| 30 September 2016 | 35 |

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

Fee and commission income and expense comprise:

| | 3 months ended 30 September 2016 | 3 months ended 30 September 2015 | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|---|---|---|---|---|
| Fee and commission income | | | | |
| Other operations with plastic cards | 13,570 | 12,569 | 39,656 | 35,122 |
| Settlement and cash operations with clients | 8,220 | 7,557 | 24,755 | 20,911 |
| Salary transfer on card accounts and related cash withdrawals | 6,813 | 7,941 | 20,923 | 22,543 |
| Agent's fees | 4,755 | 5,567 | 15,218 | 15,671 |
| Documentary operations | 4,524 | 4,405 | 11,484 | 12,971 |
| Cash delivery and collection | 2,928 | 2,704 | 8,247 | 7,569 |
| Foreign exchange operations | 804 | 670 | 2,355 | 5,743 |
| Securities operations | 354 | 557 | 1,338 | 1,644 |
| Settlements with banks | 26 | 8 | 71 | 33 |
| Other | 654 | 395 | 2,210 | 1,230 |
| Total fee and commission income | 42,648 | 42,373 | 126,257 | 123,437 |
| Fee and commission expense | | | | |
| Plastic cards operations | 6,907 | 6,441 | 18,318 | 15,852 |
| Documentary operations | 4,071 | 3,244 | 9,869 | 10,322 |
| Correspondent bank services | 287 | 146 | 599 | 369 |
| Cash delivery and collection | 155 | 196 | 344 | 425 |
| Foreign exchange and cash operations | 121 | 65 | 340 | 403 |
| Other | 208 | 267 | 647 | 704 |
| Total fee and commission expense | 11,749 | 10,359 | 30,117 | 28,075 |

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

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

| | 3 months ended 30 September 2016 | 3 months ended 30 September 2015 | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|--|---|---|---|---|
| Net gains/(losses) arising from trading in foreign currencies | 6,979 | 25,325 | (6,108) | 90,246 |
| Net foreign exchange unrealised (losses)/gains | (12,363) | (45,527) | (17,830) | (134,628) |
| Net (losses)/gains from operations with foreign currency derivatives | (3,810) | 80,291 | 49,837 | 164,612 |
| Total net (loss)/gain on foreign exchange operations | (9,194) | 60,089 | 25,899 | 120,230 |

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

| | 3 months ended 30 September 2016 | 3 months ended 30 September 2015 | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|---|---|---|---|---|
| Net gains/(losses) from operations with precious metals | 3,411 | (1,823) | 15,751 | (2,095) |
| Net result arising from revaluation of precious metals | 1,991 | (34,416) | (16,792) | (108,994) |
| Net (losses)/gains from operations with precious metals derivatives | (2,567) | 30,499 | 201 | 84,522 |
| Total net gain/(loss) from operations with precious metals | 2,835 | (5,740) | (840) | (26,567) |

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

Other income comprises:

| | 3 months ended 30 September 2016 | 3 months ended 30 September 2015 | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|--|---|---|---|---|
| Income from non-banking activities | 2,708 | - | 4,604 | 3,395 |
| Repayment of loans previously written off | 1,826 | 2,005 | 1,828 | 5,936 |
| Income from operating leases | 596 | 29 | 860 | 77 |
| Penalties received | 211 | 432 | 1,355 | 1,052 |
| Income from sale of premises, equipment and intangible assets | 163 | 1,221 | 713 | 730 |
| Income from sale of coins | 23 | 67 | 524 | 507 |
| Dividends received | 4 | 2 | 67 | 16 |
| Other | 1,045 | 314 | 2,460 | 1,119 |
| | 6,576 | 4,070 | 12,411 | 12,832 |

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

22. Operating expenses

Operating expenses comprise:

| | 3 months ended 30 September 2016 | 3 months ended 30 September 2015 | 9 months ended 30 September 2016 | 9 months ended 30 September 2015 |
|--|---|---|---|---|
| Staff costs | 18,016 | 17,775 | 44,110 | 53,436 |
| Social security contribution | 5,113 | 4,829 | 11,729 | 13,886 |
| Other staff expenses | 388 | 228 | 891 | 776 |
| Personnel expenses | 23,517 | 22,832 | 56,730 | 68,098 |
| Expenses on maintenance of banking software | 6,028 | 6,481 | 15,056 | 13,374 |
| Operating leases | 5,384 | 4,784 | 16,476 | 15,217 |
| Depreciation and amortization | 5,227 | 4,973 | 15,734 | 13,335 |
| Premises and equipment maintenance | 4,466 | 263 | 10,901 | 11,123 |
| Taxes, other than income taxes | 3,849 | 1,524 | 8,520 | 25,890 |
| Security expenses | 868 | 867 | 2,756 | 2,639 |
| Public utilities payments | 803 | 629 | 3,391 | 2,445 |
| Stationery | 743 | 1,502 | 2,783 | 3,594 |
| Legal and consulting services | 394 | 289 | 1,073 | 792 |
| Vehicles maintenance and fuel expenses | 356 | 385 | 1,012 | 1,116 |
| Communications | 320 | 303 | 979 | 838 |
| Advertising costs | 187 | 657 | 619 | 2,464 |
| Charity and sponsorship expenses | - | 241 | - | 241 |
| Other expenses | 6,233 | 2,143 | 9,961 | 3,596 |
| Other operating expenses | 34,858 | 25,041 | 89,261 | 96,664 |
| Total operating expenses | 58,375 | 47,873 | 145,991 | 164,762 |

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

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

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

Provisions for guarantees and other commitments amounted to BYN 35 thousands and BYN 1,063 thousands as at 30 September 2016 and 31 December 2015, respectively (Note 18).

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

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Contingent liabilities and credit commitments | | |
| Commitments on loans and unused credit lines | 228,990 | 154,880 |
| Uncovered letters of credit | 143,016 | 127,288 |
| Guarantees issued and similar commitments | 59,020 | 66,863 |
| Letters of credit secured by cash | 38,246 | 46,950 |
| Total contingent liabilities and credit commitments | 469,272 | 395,981 |

Operating lease commitments

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

| | 30 September 2016 | 31 December 2015 |
|--|------------------------------|-----------------------------|
| Not later than 1 year | 10,828 | 12,222 |
| Later than 1 year and not later than 5 years | 33,498 | 35,155 |
| Later than 5 years | 23,371 | 27,855 |
| Total operating lease commitments | 67,697 | 75,232 |

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 September 2016 and 31 December 2015 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Legislation

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

(in thousands of Belarusian Roubles)

23. Commitments and contingencies (continued)

Operating environment

During the year 2015 the National Bank of the Republic of Belarus ("NBRB" or National bank) continued to follow a policy of stabilizing the financial market. On January 9th, 2015 the exchange fee for foreign currency purchase imposed on legal entities and individuals was dismissed and at the same time the Belarusian ruble was devaluated against major foreign currencies (by 16.1%, 12.9% and 3% against USD, Euro and Russian Ruble respectively compared with the rate effective as of December 31, 2014). On January 9th, 2015 NBRB also raised the refinancing rate from 20% to 25%. To enhance the effectiveness of the refinancing rate as an instrument of the monetary policy the National bank has gradually decreased the interest rates for liquidity instruments from 50% to 23% starting in January 2015.

In February 2015 the Managing Board of the NBRB decided to lower the rate of mandatory sale of foreign currency revenue to 40% and further to 30% in April 2015. As at 1st September, 2016, the rate of mandatory sale of foreign currency was set at 20%.

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

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

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

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

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

The inflation processes were regulated by the NBRB and reached 12% as of the year end (16.2% in 2014). Decrease of the inflation in the recent three years has led to cancellation of IFRS 29 application starting in January 1st 2015. For the 9 months of 2016 the inflation level was 8.32%

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

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

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

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Group had the following transactions outstanding as at 30 September 2016 and 31 December 2015 with related parties:

| | 30 September 2016 | | 31 December 2015 | |
|--|-------------------------------|---|-------------------------------|---|
| | <i>Related party balances</i> | <i>Total category as per the financial statements caption</i> | <i>Related party balances</i> | <i>Total category as per the financial statements caption</i> |
| Cash and cash equivalents | 25,917 | 878,764 | 27,610 | 615,887 |
| - parent bank | 25,898 | | 27,491 | |
| - entities under common control | 19 | | 119 | |
| Loans to corporate customers, gross | 500 | 2,591 | 1,440 | 10,869 |
| - associates | 500 | | 1,440 | |
| Loans to individuals, gross | 1,489 | 168,763 | 1,863 | 175,652 |
| - key management personnel | 1,489 | | 1,863 | |
| Allowance for impairment losses | 100 | 506,126 | 96 | 388,618 |
| - key management personnel | 100 | | 96 | |
| Investments in associates | 9,118 | 9,118 | 8,695 | 8,695 |
| Due to banks | 200,913 | 474,760 | 668,908 | 965,551 |
| - parent bank | 171,629 | | 632,344 | |
| - entities under common control | 29,284 | | 36,564 | |
| Subordinated debt | 140,465 | 140,465 | 101,500 | 101,500 |
| - parent bank | 140,465 | | 101,500 | |
| Due to individuals | 11,368 | 1,648,348 | 10,853 | 1,822,345 |
| - key management personnel | 11,368 | | 10,853 | |
| Due to corporate customers | 15,500 | 959,923 | 6,340 | 1,023,169 |
| - associates | 15,500 | | 6,340 | |
| Commitments and contingencies | 910 | 469,272 | 1,409 | 395,981 |
| - associates | 888 | | 1,402 | |
| - key management personnel | 22 | | 7 | |
| Other financial assets | 73 | 10,698 | 1,968 | 23,054 |
| - parent bank | 73 | | 1,155 | |
| - associates | - | | 813 | |
| Other financial liabilities | 62,645 | 74,369 | 61,759 | 82,142 |
| - parent bank | 1,141 | | 978 | |
| - associates | 61,487 | | 60,721 | |
| - entities under common control | 17 | | 60 | |

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

On 29 December 2011 the Group received a subordinated loan from its parent Sberbank of Russia in the amount of EUR 40 million at an interest rate of 6.45%, repayable on 29 December 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 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 9 months ended 30 September 2016 there were no significant transactions (and transactions significant in aggregate) between JSC BPS-Sberbank and the Government of the Russian Federation, as well as with the Russian State companies.

Included in the interim condensed consolidated income statement for the 9 months ended 30 September 2016 and 9 months ended 30 September 2015 are the following amounts which arose due to transactions with related parties:

| | 30 September 2016 | | 30 J September 2015 | |
|--------------------------------------|-----------------------------------|---|-----------------------------------|---|
| | <i>Related party transactions</i> | <i>Total category as per the financial statements caption</i> | <i>Related party transactions</i> | <i>Total category as per the financial statements caption</i> |
| Interest income | 1,184 | 401,328 | 1,001 | 455,963 |
| - parent bank | 1,149 | | 981 | |
| - associates | - | | - | |
| - key management personnel | 35 | | 20 | |
| Fee and commission income | 18,675 | 126,257 | 17,840 | 123,437 |
| - parent bank | 18,449 | | 17,730 | |
| - associates | 223 | | 109 | |
| - key management personnel | 3 | | 1 | |
| Interest expense | (29,155) | (169,440) | (39,665) | (242,385) |
| - parent bank | (28,276) | | (39,021) | |
| - associates | (258) | | (125) | |
| - key management personnel | (621) | | (519) | |
| Allowance for loan impairment | 4 | (189,562) | 2 | (217,827) |
| - associates | - | | 41 | |
| - key management personnel | 4 | | (39) | |
| Fee and commission expense | (9,340) | (30,117) | (8,701) | (28,075) |
| - parent bank | (9,340) | | (8,701) | |
| Staff costs | 1,615 | (44,110) | (1,580) | (53,436) |
| - key management personnel | 1,615 | | (1,580) | |

During the 9 months ended 30 September 2016 and 9 months ended 30 September 2015 remuneration of key management personnel comprised of short-term employee benefits.

(in thousands of Belarusian Roubles)

25. Segment reporting

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

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

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

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

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

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

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

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

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

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

| | Retail banking | Corporate banking | Unallocated | 31 December 2015/ 9 months ended 30 September 2016 Total |
|--|---------------------------|------------------------------|--------------------|---|
| Interest income | 37,291 | 324,100 | 39,937 | 401,328 |
| Interest expense | (65,849) | (69,350) | (34,241) | (169,440) |
| Allowance for impairment losses on interest bearing assets | (2,265) | (187,297) | - | (189,562) |
| Contributions to deposits protection fund | (7,763) | - | - | (7,763) |
| Fee and commission income | 64,919 | 60,380 | 958 | 126,257 |
| Fee and commission expense | (18,318) | (11,200) | (599) | (30,117) |
| Net losses arising from investment securities available for sale | - | - | (37) | (37) |
| Net gains/(losses) arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange unrealised losses | 7 | (166) | 26,058 | 25,899 |
| Net losses arising from operations with precious metals and precious metals derivatives | - | - | (840) | (840) |
| Reversal of other provisions | - | 1,028 | - | 1,028 |
| Reversal of impairment of non-current assets held for sale | - | 47 | - | 47 |
| Other income | - | - | 12,411 | 12,411 |
| Operating income | 8,022 | 117,542 | 43,647 | 169,211 |
| Income/(expense) from other segments | 13,598 | (27,360) | 13,762 | - |
| Total operating income | 21,620 | 90,182 | 57,409 | 169,211 |
| Operating expenses | - | - | (145,991) | (145,991) |
| Share of results of an associate | - | - | 1,850 | 1,850 |
| Profit/(loss) before income taxes | 21,620 | 90,182 | (86,732) | 25,070 |
| Income tax expense | - | - | (1,979) | (1,979) |
| Net profit/(loss) | 21,620 | 90,182 | (86,732) | 25,070 |
| Segment assets | 168,763 | 2,732,770 | 1,003,247 | 3,904,780 |
| Segment liabilities | 1,649,018 | 1,080,599 | 699,129 | 3,428,746 |
| Other segment items | | | | |
| - Loans to customers | 168,763 | 2,732,770 | - | 2,901,533 |
| - Customer accounts | 1,648,348 | 959,923 | - | 2,608,271 |
| - Debt securities issued | 670 | 120,676 | - | 121,346 |

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

| | Retail banking | Corporate banking | Unallocated | 30 September 2015/ 9 months ended 30 September 2015 Total |
|--|---------------------------|------------------------------|--------------------|--|
| Interest income | 45,134 | 392,776 | 18,053 | 455,963 |
| Interest expense | (94,849) | (89,496) | (58,040) | (242,385) |
| Allowance for impairment losses on interest bearing assets | (4,607) | (213,220) | - | (217,827) |
| Contributions to deposits protection fund | (11,704) | - | - | (11,704) |
| Fee and commission income | 60,923 | 61,559 | 955 | 123,437 |
| Fee and commission expense | (15,852) | (11,854) | (369) | (28,075) |
| Net gains arising from investment securities available for sale | - | - | 60 | 60 |
| Net gains arising from trading in foreign currencies, operations with foreign currency derivatives and foreign exchange translation losses | 276 | 29,902 | 90,052 | 120,230 |
| Net losses arising from operations with precious metals and precious metals derivatives | - | - | (26,567) | (26,567) |
| Reversal of other provisions | - | 312 | - | 312 |
| Loss on disposal of subsidiary | - | (3,553) | - | (3,553) |
| Other income | - | - | 12,832 | 12,832 |
| Operating (expense)/income | (20,679) | 166,426 | 36,976 | 182,723 |
| Income/(expense) from other segments | 60,321 | (201,927) | 141,606 | - |
| Total operating income/(expense) | 39,642 | (35,501) | 178,582 | 182,723 |
| Operating expenses | - | - | (164,762) | (164,762) |
| Share of results of an associate | - | - | 2,213 | 2,213 |
| Profit/(Loss) before income taxes | 39,642 | (35,501) | 16,033 | 20,174 |
| Income tax savings | - | - | 1,396 | 1,396 |
| Net profit/(loss) | 39,642 | (35,501) | 17,429 | 21,570 |
| Segment assets | 176,760 | 3,174,058 | 1,522,605 | 4,873,423 |
| Segment liabilities | 1,803,313 | 1,364,159 | 1,250,861 | 4,418,333 |
| Other segment items: | | | | |
| Loans to customers | 176,760 | 3,174,058 | - | 3,350,818 |
| Customer accounts | 1,790,779 | 1,175,348 | - | 2,966,127 |
| Debt securities issued | 12,534 | 188,811 | - | 201,345 |

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 Roubles)***26. Fair value measurement**

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

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

| | 30 September 2016 | | | 31 December 2015 | | |
|---|-------------------|------------|--------------------------|------------------|------------|--------------------------|
| | Carrying value | Fair value | Unrecognised gain/(loss) | Carrying value | Fair value | Unrecognised gain/(loss) |
| Cash and cash equivalents | 878,764 | 878,764 | - | 615,887 | 615,887 | - |
| Mandatory cash balances with the National Bank of the Republic of Belarus | 17,870 | 17,870 | - | 17,569 | 17,569 | - |
| Due from banks | 2,591 | 2,591 | - | 10,869 | 10,869 | - |
| Loans to corporate customers | 2,237,996 | 2,250,657 | 12,661 | 2,614,548 | 2,615,852 | 1,304 |
| Loans to individuals | 157,411 | 159,730 | 2,319 | 166,565 | 162,886 | (3,679) |
| Investments held to maturity | 2,052 | 2,125 | 73 | 1,061 | 1,174 | 113 |
| Other financial assets | 10,698 | 10,698 | - | 23,054 | 23,054 | - |
| Loans from the National Bank of the Republic of Belarus | 612 | 612 | - | 64,919 | 64,919 | - |
| Due to banks | 474,760 | 470,698 | 4,062 | 965,551 | 959,444 | 6,107 |
| Due to individuals | 1,648,348 | 1,658,749 | (10,401) | 1,822,345 | 1,818,380 | 3,965 |
| Due to corporate customers | 959,923 | 960,141 | (218) | 1,023,169 | 1,024,352 | (1,183) |
| Debt securities issued | 121,346 | 124,561 | (3,215) | 188,866 | 194,478 | (5,612) |
| Other financial liabilities | 74,369 | 74,369 | - | 82,142 | 82,142 | - |
| Subordinated debt | 140,465 | 140,465 | - | 101,500 | 101,500 | - |

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 Roubles)***26. Fair value measurement (continued)****Fixed rate financial instruments (continued)**

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

| As at 30 September 2016 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|----------------|
| Assets carried at fair value | | | | |
| Derivative financial instruments | 154 | 118 | - | 272 |
| Investments available for sale | 1,752 | 333,078 | - | 334,830 |
| Office premises | - | - | 81,862 | 81,862 |
| Premises held for sale | - | - | 801 | 801 |
| Total assets carried at fair value | 1,906 | 333,196 | 82,663 | 417,765 |
| Liabilities carried at fair value | | | | |
| Derivative financial instruments | 2,202 | - | - | 2,202 |
| Total liabilities carried at fair value | 2,202 | - | - | 2,202 |

| As at 31 December 2015 | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|------------------|
| Assets carried at fair value | | | | |
| Derivative financial instruments | 54 | 28 | 291,685 | 291,767 |
| Investments available for sale | 1,584 | 717,892 | - | 719,476 |
| Office premises | - | - | 80,523 | 80,523 |
| Premises held for sale | - | - | 840 | 840 |
| Total assets carried at fair value | 1,638 | 717,920 | 373,048 | 1,092,606 |
| Liabilities carried at fair value | | | | |
| Derivative financial instruments | 643 | 83 | - | 726 |
| Total liabilities carried at fair value | 643 | 83 | - | 726 |

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

| As at 30 September 2016 | Level 1 | Level 2 | Level 3 | Total |
|---|----------------|----------------|------------------|------------------|
| Financial assets for which fair values are disclosed | | | | |
| Cash and cash equivalents | 878,764 | - | - | 878,764 |
| Mandatory cash balances with the National Bank of the Republic of Belarus | 17,870 | - | - | 17,870 |
| Due from banks | - | 2,591 | - | 2,591 |
| Loans to corporate customers | - | - | 2,250,657 | 2,250,657 |
| Loans to individuals | - | - | 159,730 | 159,730 |
| Investments held to maturity | - | 2,125 | - | 2,125 |
| Other financial assets | - | - | 10,698 | 10,698 |
| Total financial assets for which fair values are disclosed | 896,634 | 4,716 | 2,421,085 | 3,322,435 |
| Financial liabilities for which fair values are disclosed | | | | |
| Loans from the National Bank of the Republic of Belarus | - | 612 | - | 612 |
| Due to banks | - | 470,698 | - | 470,698 |
| Due to individuals | - | - | 1,658,749 | 1,658,749 |
| Due to corporate customers | - | - | 960,141 | 960,141 |
| Debt securities issued | - | 124,561 | - | 124,561 |
| Subordinated debt | - | 140,465 | - | 140,465 |
| Other financial liabilities | - | - | 74,369 | 74,369 |
| Total financial liabilities for which fair values are disclosed | - | 736,336 | 2,693,259 | 3,429,595 |

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

| <i>As at 31 December 2015</i> | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|---|----------------|------------------|------------------|------------------|
| Financial assets for which fair values are disclosed | | | | |
| Cash and cash equivalents | 615,887 | - | - | 615,887 |
| Mandatory cash balances with the National Bank of the Republic of Belarus | 17,569 | - | - | 17,569 |
| Due from banks | - | 10,869 | - | 10,869 |
| Loans to corporate customers | - | - | 2,615,852 | 2,615,852 |
| Loans to individuals | - | - | 162,886 | 162,886 |
| Investments held to maturity | - | 1,174 | - | 1,174 |
| Other financial assets | - | - | 23,054 | 23,054 |
| Total financial assets for which fair values are disclosed | 633,456 | 12,043 | 2,801,792 | 3,447,291 |
| Financial liabilities for which fair values are disclosed | | | | |
| Loans from the National Bank of the Republic of Belarus | - | 64,919 | - | 64,919 |
| Due to banks | - | 959,444 | - | 959,444 |
| Due to individuals | - | - | 1,818,380 | 1,818,380 |
| Due to corporate customers | - | - | 1,024,352 | 1,024,352 |
| Debt securities issued | - | 194,478 | - | 194,478 |
| Subordinated debt | - | 101,500 | - | 101,500 |
| Other financial liabilities | - | - | 82,142 | 82,142 |
| Total financial liabilities for which fair values are disclosed | - | 1,320,341 | 2,924,874 | 4,245,215 |

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

| | <i>At 1 January 2016</i> | <i>Unrealized gain recorded in profit or loss</i> | <i>Realized gain recorded in profit or loss</i> | <i>Settlements/ movements for premises</i> | <i>At 30 September 2016</i> |
|---------------------------------------|----------------------------------|---|---|--|-------------------------------------|
| Financial assets | | | | | |
| Office premises | 80,523 | - | - | 1,339 | 81,862 |
| Premises held for sale | 840 | - | - | (39) | 801 |
| Derivative financial assets | 291,685 | - | 57,080 | (348,765) | - |
| Total level 3 financial assets | 373,048 | - | 57,080 | (347,465) | 82,663 |

| | <i>At 1 January 2015</i> | <i>Unrealized gain recorded in profit or loss</i> | <i>Realized gain recorded in profit or loss</i> | <i>Settlements/ movements for premises</i> | <i>At 30 September 2015</i> |
|---------------------------------------|----------------------------------|---|---|--|-------------------------------------|
| Financial assets | | | | | |
| Office premises | 76,956 | - | - | 3,567 | 80,523 |
| Premises held for sale | 801 | - | - | 39 | 840 |
| Derivative financial assets | 455,991 | 82,590 | 190,876 | (437,772) | 291,685 |
| Total level 3 financial assets | 533,748 | 82,590 | 190,876 | (434,166) | 373,048 |

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

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

| | 30 September 2016 | | 31 December 2015 | |
|---|--------------------------|--|-------------------------|--|
| | Carrying amount | Effect of reasonably possible alternative assumptions | Carrying amount | Effect of reasonably possible alternative assumptions |
| Financial assets | | | | |
| Derivative financial instruments | - | - | 291,685 | (1,333) |
| - foreign currency derivatives | - | - | 291,685 | (1,333) |
| - precious metals derivatives | - | - | - | - |
| Financial liabilities | | | | |
| Derivative financial liabilities | - | - | - | - |
| - foreign currency derivatives | - | - | - | - |

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

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

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

27. Capital management

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

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

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

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

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

The Group' capital adequacy ratio, computed in accordance with the Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate market risks, as of 30 September 2016 and 31 December 2015, comprised:

| | 30 September 2016 | 31 December 2015 |
|---|------------------------------|-----------------------------|
| Tier 1 capital | 321,756 | 321,756 |
| Share capital | 576 | 576 |
| Share premium | 126,543 | 102,142 |
| Retained earnings | 448,875 | 424,474 |
| Total Tier 1 capital | | |
| Tier 2 capital | 25,360 | 26,729 |
| Revaluation reserve for office premises | 1,799 | 1,671 |
| Fair value reserve for investment securities available-for-sale | 140,465 | 101,500 |
| Applied subordinated loan | 167,624 | 129,900 |
| Total Tier 2 capital | 616,499 | 554,374 |
| Total capital | | |
| Total risk weighted assets (RWA) | 3,127,011 | 3,795,534 |
| Core capital adequacy ratio (total Tier 1 capital / total RWA), % | 14.4 | 11.2 |
| Total capital adequacy ratio (total capital / total RWA), % | 19.7 | 14.6 |

As at 30 September 2016 and 31 December 2015 according to the norms established by the National Bank of the Republic of Belarus the capital adequacy ratios were 12.265% and 12.4%, respectively and increases norms established by the National Bank of the Republic of Belarus the capital adequacy ratio 10.0%.

28. Risk management policies

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

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

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

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

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

(in thousands of Belarusian Roubles)

28. Risk management policies (continued)

- ▶ Assets and Liabilities Management Committee decides on topics of balance structure management, funding operations, liquidity risk and market risk control, transfer pricing, interest rates, tariffs, the Bank's capital adequacy and structure.
- ▶ Major Credit Committee decides on setting/changing/annulment of credit limits for subordinate collegiate bodies, performance of credit operations with legal bodies and individual entrepreneurs, categorized as "largest", "large" or "mid-sized" customer, and also on managing credit risk of financial market operations.
- ▶ Minor Credit Committee decides on credit operations with legal bodies and individual entrepreneurs, categorized as "micro", "small" customers and individuals, and other issues relating to credit operations with these categories of customers.
- ▶ Operational Risk Committee examines the reports on operational risks (including the analysis of the most significant incidents), decides on measures to be taken for operational risk mitigation and on acceptance of operational risks, considers disputable situations relating to the identification of operational risk owners, as well as takes decisions on the matter.
- ▶ The Department of Methodology and Risk Control ensures functioning, improvement and development of the Bank's integrated risk management system, identifies risks, conducts evaluation, monitoring and control of risks, develop measures and procedures aimed at risk limitation and mitigation.
- ▶ Department 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 Group's risk management process does not cover subsidiaries due to insignificant scope of financial operations between the parent Bank and its subsidiaries.

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

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

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

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

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

| 30 September 2016 | AA | A | BBB | BB | B | CCC | Not rated | Total |
|--|-----------|----------|------------|-----------|----------|------------|------------------|------------------|
| Cash equivalents | 715 | 80,716 | 12,073 | 27,258 | 627,185 | 886 | 9,402 | 758,235 |
| Mandatory cash balances with the National Bank | - | - | - | - | 17,870 | - | - | 17,870 |
| Due from banks | - | 17 | - | 500 | - | 2,074 | - | 2,591 |
| Derivative financial assets | - | - | 36 | 149 | - | 74 | 13 | 272 |
| Loans to corporate customers | - | - | - | - | - | - | 2,237,996 | 2,237,996 |
| Loans to individuals | - | - | - | - | - | - | 157,411 | 157,411 |
| Investments available for sale | - | 1,752 | - | - | 330,313 | - | 2,765 | 334,830 |
| Investments held to maturity | - | - | - | - | - | - | 2,052 | 2,052 |
| Other financial assets | - | - | - | - | - | - | 10,698 | 10,698 |

| 31 December 2015 | AA | A | BBB | BB | B | CCC | Not rated | Total |
|--|-----------|----------|------------|-----------|----------|------------|------------------|------------------|
| Cash equivalents | 391 | 119,767 | 62,613 | 27,790 | 242,387 | 116 | 6,638 | 459,702 |
| Mandatory cash balances with the National Bank | - | - | - | - | 17,569 | - | - | 17,569 |
| Due from banks | - | - | - | 1,440 | 6,314 | 3,115 | - | 10,869 |
| Derivative financial assets | - | - | 17 | 31 | 291,689 | - | 30 | 291,767 |
| Loans to corporate customers | - | - | - | - | - | - | 2,614,548 | 2,614,548 |
| Loans to individuals | - | - | - | - | - | - | 166,565 | 166,565 |
| Investments available for sale | - | 1,584 | - | - | 715,087 | - | 2,805 | 719,476 |
| Investments held to maturity | - | - | - | - | - | - | 1,061 | 1,061 |
| Other financial assets | - | - | - | - | - | - | 23,054 | 23,054 |

As at 30 September 2016 and 31 December 2015 other financial assets comprised past due but not impaired assets in the amount of 2,234 BYN thousands and 1,794 BYN thousands, respectively. Carrying value of past due and impaired loans to customers is disclosed in Note 6.

As at 30 September 2016 and 31 December 2015 the Group had neither past due nor impaired financial assets in addition to those mentioned above.

Geographical concentration

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

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

*(in thousands of Belarusian Roubles)***28. Risk management policies (continued)****Geographical concentration (continued)**

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

| 30 September 2016 | Belarus | CIS Countries | OECD Countries | Non-OECD countries | Total |
|---|------------------|--------------------------|---------------------------|-------------------------------|------------------|
| Financial assets | | | | | |
| Cash and cash equivalents | 757,148 | 28,661 | 92,099 | 856 | 878,764 |
| Mandatory cash balances with the National Bank | 17,870 | - | - | - | 17,870 |
| Due from banks | 2,074 | 500 | - | 17 | 2,591 |
| Derivative financial assets | 87 | 165 | 20 | - | 272 |
| Loans to corporate customers | 2,237,996 | - | - | - | 2,237,996 |
| Loans to individuals | 157,411 | - | - | - | 157,411 |
| Investments available for sale | 333,078 | - | 1,752 | - | 334,830 |
| Investments held to maturity | 2,052 | - | - | - | 2,052 |
| Other financial assets | 10,698 | - | - | - | 10,698 |
| Total financial assets | 3,518,414 | 29,326 | 93,871 | 873 | 3,642,484 |
| Financial liabilities | | | | | |
| Loans from the National Bank | 612 | - | - | - | 612 |
| Due to banks | 76,464 | 184,193 | 213,940 | 163 | 474,760 |
| Derivative financial liabilities | 1 | 2,193 | 8 | - | 2,202 |
| Due to individuals | 1,567,198 | 58,523 | 8,193 | 14,434 | 1,648,348 |
| Due to corporate customers | 925,185 | 2,806 | 656 | 31,276 | 959,923 |
| Debt securities issued | 121,346 | - | - | - | 121,346 |
| Other financial liabilities | 74,369 | - | - | - | 74,369 |
| Subordinated debt | - | 140,465 | - | - | 140,465 |
| Total financial liabilities | 2,765,175 | 388,180 | 222,797 | 45,873 | 3,422,025 |
| Net position | 753,239 | (358,854) | (128,926) | (45,000) | |
| 31 December 2015 | | | | | |
| | Belarus | CIS Countries | OECD Countries | Non-OECD countries | Total |
| Financial assets | | | | | |
| Cash and cash equivalents | 403,096 | 27,959 | 182,593 | 2,239 | 615,887 |
| Mandatory cash balances with the National Bank | 17,569 | - | - | - | 17,569 |
| Due from banks | 9,429 | 1,440 | - | - | 10,869 |
| Derivative financial assets | 291,720 | 47 | - | - | 291,767 |
| Loans to corporate customers | 2,614,548 | - | - | - | 2,614,548 |
| Loans to individuals | 166,565 | - | - | - | 166,565 |
| Investments available for sale | 717,892 | - | 1,584 | - | 719,476 |
| Investments held to maturity | 1,061 | - | - | - | 1,061 |
| Other financial assets | 23,054 | - | - | - | 23,054 |
| Total financial assets | 4,244,934 | 29,446 | 184,177 | 2,239 | 4,460,796 |
| Financial liabilities | | | | | |
| Loans from the National Bank | 64,919 | - | - | - | 64,919 |
| Due to banks | 44,693 | 641,668 | 279,060 | 130 | 965,551 |
| Derivative financial liabilities | 6 | 720 | - | - | 726 |
| Due to individuals | 1,739,259 | 60,106 | 7,754 | 15,226 | 1,822,345 |
| Due to corporate customers | 991,849 | 1,519 | 691 | 29,110 | 1,023,169 |
| Debt securities issued | 188,866 | - | - | - | 188,866 |
| Other financial liabilities | 82,142 | - | - | - | 82,142 |
| Subordinated debt | - | 101,500 | - | - | 101,500 |
| Total financial liabilities | 3,111,734 | 805,513 | 287,505 | 44,466 | 4,249,218 |
| Net position | 1,133,200 | (776,067) | (103,328) | (42,227) | |

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

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

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

| 30 September 2016 | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 1 to 3 years | More than 3 years | Overdue | No stated maturity | Total |
|---|---|-------------------------------|--------------------------------|------------------------------|------------------------------|----------------|-------------------------------|------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | 878,764 | - | - | - | - | - | - | 878,764 |
| Mandatory cash balances with the National Bank | 5,780 | 3,923 | 3,795 | 4,287 | 85 | - | - | 17,870 |
| Due from banks | 501 | 559 | 559 | 968 | 4 | - | - | 2,591 |
| Derivative financial assets | 272 | - | - | - | - | - | - | 272 |
| Loans to corporate customers | 153,511 | 567,390 | 261,143 | 579,349 | 462,175 | 214,428 | - | 2,237,996 |
| Loans to individuals | 5,069 | 13,768 | 24,766 | 49,576 | 61,896 | 2,336 | - | 157,411 |
| Non-current asset held for sale | - | - | 20,315 | - | - | - | - | 20,315 |
| Investments available for sale | 4,919 | 58,259 | 48,160 | - | 220,108 | - | 3,384 | 334,830 |
| Investments held to maturity | 991 | - | - | - | 1,061 | - | - | 2,052 |
| Investments in an associate | - | - | - | - | - | - | 9,118 | 9,118 |
| Premises and equipment | - | - | - | - | - | - | 145,924 | 145,924 |
| Intangible assets | - | - | - | - | - | - | 41,677 | 41,677 |
| Current income tax assets | 168 | - | - | - | - | - | - | 168 |
| Deferred income tax assets | - | - | - | - | - | - | 1,362 | 1,362 |
| Other assets | 21,888 | 1,005 | 3 | 23,065 | 102 | 2,234 | 6,133 | 54,430 |
| Total assets | 1,071,863 | 644,904 | 358,741 | 657,245 | 745,431 | 218,998 | 207,598 | 3,904,780 |
| Liabilities | | | | | | | | |
| Loans from the National Bank | 2 | 610 | - | - | - | - | - | 612 |
| Due to banks | 207,594 | 60,679 | 49,944 | 127,538 | 29,005 | - | - | 474,760 |
| Derivative financial liabilities | 2,202 | - | - | - | - | - | - | 2,202 |
| Due to individuals | 357,130 | 415,014 | 334,770 | 539,782 | 1,652 | - | - | 1,648,348 |
| Due to corporate customers | 486,462 | 157,558 | 219,201 | 85,892 | 10,810 | - | - | 959,923 |
| Debt securities issued | 668 | 1,410 | 24,114 | - | 95,154 | - | - | 121,346 |
| Provisions for guarantees and other commitments | - | 35 | - | - | - | - | - | 35 |
| Other liabilities | 18,287 | 2,531 | 2,028 | 9,423 | 48,703 | - | 83 | 81,055 |
| Subordinated debt | - | - | - | - | 140,465 | - | - | 140,465 |
| Total liabilities | 1,072,345 | 637,837 | 630,057 | 762,635 | 325,789 | - | 83 | 3,428,746 |
| Net liquidity surplus/(gap) | (482) | 7,067 | (271,316) | (105,390) | 419,642 | 218,998 | 207,515 | 476,034 |
| Cumulative liquidity gap as at 30 September 2016 | (482) | 6,585 | (264,731) | (370,121) | 49,521 | 268,519 | 476,034 | |

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

| 31 December 2015 | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 1 to 3 years | More than 3 years | Overdue | No stated maturity | Total |
|--|---|-------------------------------|--------------------------------|------------------------------|------------------------------|----------------|-------------------------------|------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | 615,887 | - | - | - | - | - | - | 615,887 |
| Mandatory cash balances with the National Bank | 4,497 | 4,904 | 4,850 | 3,182 | 136 | - | - | 17,569 |
| Due from banks | 7,871 | 465 | 689 | 1,688 | 156 | - | - | 10,869 |
| Derivative financial assets | 81 | 214,798 | 76,888 | - | - | - | - | 291,767 |
| Loans to corporate customers | 160,993 | 663,114 | 349,272 | 776,577 | 538,769 | 125,823 | - | 2,614,548 |
| Loans to individuals | 6,647 | 13,324 | 24,301 | 51,641 | 68,956 | 1,696 | - | 166,565 |
| Non-current asset held for sale | - | - | 19,653 | - | - | - | - | 19,653 |
| Investments available for sale | 13,431 | 173,557 | 216,399 | 102,130 | 210,745 | - | 3,214 | 719,476 |
| Investments held to maturity | - | - | - | - | 1,061 | - | - | 1,061 |
| Investments in an associate | - | - | - | - | - | - | 8,695 | 8,695 |
| Premises and equipment | - | - | - | - | - | - | 149,639 | 149,639 |
| Intangible assets | - | - | - | - | - | - | 36,817 | 36,817 |
| Current income tax assets | 3,607 | - | - | - | - | - | - | 3,607 |
| Deferred income tax assets | - | - | - | - | - | - | 2,092 | 2,092 |
| Other assets | 30,289 | 903 | 3 | 12,262 | 141 | 1,794 | 5,806 | 51,198 |
| Total assets | 843,303 | 1,071,065 | 692,055 | 947,480 | 819,964 | 129,313 | 206,263 | 4,709,443 |
| Liabilities | | | | | | | | |
| Loans from the National Bank | - | 32,419 | 32,500 | - | - | - | - | 64,919 |
| Due to banks | 101,477 | 316,318 | 222,983 | 272,475 | 52,298 | - | - | 965,551 |
| Derivative financial liabilities | 726 | - | - | - | - | - | - | 726 |
| Due to individuals | 324,512 | 556,276 | 696,696 | 242,395 | 2,466 | - | - | 1,822,345 |
| Due to corporate customers | 403,745 | 238,068 | 88,765 | 272,978 | 19,613 | - | - | 1,023,169 |
| Debt securities issued | 6,072 | 40,004 | - | 16,790 | 126,000 | - | - | 188,866 |
| Provisions for guarantees and other commitments | - | - | 46 | 1,017 | - | - | - | 1,063 |
| Other liabilities | 24,041 | 4,197 | 1,919 | 8,333 | 49,584 | - | 356 | 88,430 |
| Subordinated debt | - | - | - | - | 101,500 | - | - | 101,500 |
| Total liabilities | 860,573 | 1,187,282 | 1,042,909 | 813,988 | 351,461 | - | 356 | 4,256,569 |
| Net liquidity surplus/(gap) | (17,270) | (116,217) | (350,854) | 133,492 | 468,503 | 129,313 | 205,907 | 452,874 |
| Cumulative liquidity gap as at 31 December 2015 | (17,270) | (133,487) | (484,341) | (350,849) | 117,654 | 246,967 | 452,874 | |

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

The Group's liquidity risk management includes estimation of core deposits, i.e. funds associated with stable customer deposits relationships, the amount of which is calculated with the use of statistical methods applied to historic information on fluctuations of customer accounts balances. Core deposits as at 30 September 2016 and 31 December 2015 are estimated in the amount of BYN 329,269 thousands and BYN 342,731 thousands, respectively. As at 30 September 2016 and 31 December 2015 included in 'Due to banks' were short-term non-tied loans attracted from parent bank in the amount of BYN 108,158 thousands and BYN 422,392 thousands, 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 September 2016 and 31 December 2015 is as follows:

| 30 September 2016 | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 1 to 3 years | More than 3 years | Overdue | No stated maturity | Total |
|---|-------------------------------------|---------------------------|----------------------------|--------------------------|--------------------------|----------------|---------------------------|------------------|
| Accounts of individuals analyzed based on expected withdrawal dates | 215,219 | 415,014 | 334,770 | 539,782 | 1,652 | - | 141,911 | 1,648,348 |
| Corporate accounts analyzed based on expected withdrawal dates | 299,104 | 157,558 | 219,201 | 85,892 | 10,810 | - | 187,358 | 959,923 |
| Funds attracted from other banks analyzed | 88,974 | 62,771 | 52,036 | 133,816 | 29,005 | - | 108,158 | 474,760 |
| Liquidity gap (based on expected withdrawal dates for customers' accounts) | 447,407 | 4,975 | (273,408) | (111,668) | 419,642 | 218,998 | (229,912) | |

| 31 December 2015 | Demand and less than 1 month | From 1 to 6 months | From 6 to 12 months | From 1 to 3 years | More than 3 years | Overdue | No stated maturity | Total |
|---|-------------------------------------|---------------------------|----------------------------|--------------------------|--------------------------|----------------|---------------------------|------------------|
| Accounts of individuals analyzed based on expected withdrawal dates | 140,163 | 556,276 | 696,695 | 242,395 | 2,466 | - | 184,350 | 1,822,345 |
| Corporate accounts analyzed based on expected withdrawal dates | 245,364 | 238,068 | 88,765 | 272,978 | 19,613 | - | 158,381 | 1,023,169 |
| Funds attracted from other banks analyzed | 70,869 | 77,106 | 62,549 | 280,337 | 52,298 | - | 422,392 | 965,551 |
| Liquidity gap (based on expected withdrawal dates for customers' accounts) | 356,068 | 122,995 | (190,419) | 125,630 | 468,503 | 129,313 | (559,216) | |

As at 30 September 2016 covenants with EBRD were violated in the Group. Liabilities in the amount of BYN 10,609 thousands were reclassified into the demand group. At the same time the Group's Management doesn't expect the cash outflow connected with violation of the covenants.

(in thousands of Belarusian Roubles)

28. Risk management policies (continued)

Market risk

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

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

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

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

Interest rate risk

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

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

The following table presents an interest rate risk sensitivity analysis based on "reasonably possible changes" of interest rates. The degree of these changes is determined by the Management. The sensitivity analysis represents the annual effect on the net profit of the Group of increase/reduction in interest rates in respect of floating rate financial instruments nominated in BYN and foreign currencies existing as at 30 September 2016 and 31 December 2015, respectively, provided that all the other variables are held constant. Additionally, the calculation includes the effect of potential reinvestment of fixed-rate instruments at new market rates as they mature.

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

Impact on profit before taxes:

| BYN | As at 30 September 2016 | | As at 31 December 2015 | |
|---|--------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Interest rate +10% | Interest rate -10% | Interest rate +10% | Interest rate -10% |
| Impact on profit before taxes | | | | |
| Assets | | | | |
| Due from banks | 255 | (255) | 450 | (450) |
| Loans to customers | 60,415 | (60,415) | 66,595 | (66,595) |
| Investments available for sale | 6,242 | (6,242) | 6,225 | (6,225) |
| Investments held to maturity | 201 | (201) | 106 | (106) |
| Liabilities | | | | |
| Loans from the National Bank | - | - | (6,492) | 6,492 |
| Due to banks | (2,101) | 2,101 | (118) | 118 |
| Customer accounts | (63,739) | 63,739 | (45,455) | 45,455 |
| Debt securities issued | (1,748) | 1,748 | (2,401) | 2,401 |
| Net impact on profit before taxes | (475) | 475 | 18,910 | (18,910) |
| Impact on comprehensive income (excluding profit for the year) | | | | |
| Investments available for sale | - | - | - | - |
| Net impact on comprehensive income | (475) | 475 | 18,910 | (18,910) |

| USD | As at 30 September 2016 | | As at 31 December 2015 | |
|---|--------------------------------|------------------------------|-------------------------------|------------------------------|
| | Interest rate +5% | Interest rate -5% | Interest rate +5% | Interest rate -5% |
| Impact on profit before taxes | | | | |
| Assets | | | | |
| Due from banks | - | - | 303 | (303) |
| Loans to customers | 34,745 | (34,745) | 47,793 | (47,793) |
| Investments available for sale | 2,694 | (2,694) | 1,098 | (1,098) |
| Investments held to maturity | - | - | - | - |
| Liabilities | | | | |
| Due to banks | (1,026) | 1,026 | (3,542) | 3,542 |
| Customer accounts | (28,312) | 28,312 | (40,027) | 40,027 |
| Debt securities issued | (44) | 44 | (550) | 550 |
| Net impact on profit before taxes | 8,057 | (8,057) | 5,073 | (5,073) |
| Impact on comprehensive income (excluding profit for the year) | | | | |
| Investments available for sale | (524) | 524 | (2,504) | 2,504 |
| Net impact on comprehensive income | 7,533 | (7,533) | 2,569 | (2,569) |

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

| EUR | As at 30 September 2016 | | As at 31 December 2015 | |
|---|--------------------------------|------------------------------|-------------------------------|------------------------------|
| | Interest rate +5% | Interest rate -5% | Interest rate +5% | Interest rate -5% |
| Impact on profit before taxes | | | | |
| Assets | | | | |
| Loans to customers | 27,398 | (27,398) | 35,256 | (35,256) |
| Investments available for sale | 7,470 | (7,470) | 15,225 | (15,225) |
| Liabilities | | | | |
| Due to banks | (17,333) | 17,333 | (23,779) | 23,779 |
| Customer accounts | (8,670) | 8,670 | (10,957) | 10,957 |
| Debt securities issued | (77) | 77 | (152) | 152 |
| Net impact on profit before taxes | 8,788 | (8,788) | 15,593 | (15,593) |
| Impact on comprehensive income (excluding profit for the year) | | | | |
| Investments available for sale | - | - | (1,857) | 1,857 |
| Net impact on comprehensive income | 8,788 | (8,788) | 13,736 | (13,736) |

| RUB | As at 30 September 2016 | | As at 31 December 2015 | |
|---|--------------------------------|------------------------------|-------------------------------|------------------------------|
| | Interest rate +7% | Interest rate -7% | Interest rate +7% | Interest rate -7% |
| Impact on profit before taxes | | | | |
| Assets | | | | |
| Loans to customers | 10,384 | (10,384) | 7,866 | (7,866) |
| Investments available for sale | 58 | (58) | 48 | (48) |
| Liabilities | | | | |
| Due to banks | (572) | 572 | (649) | 649 |
| Customer accounts | (5,316) | 5,316 | (3,697) | 3,697 |
| Debt securities issued | (103) | 103 | (623) | 623 |
| Net impact on profit before taxes | 4,451 | (4,451) | 2,944 | (2,944) |
| Impact on comprehensive income (excluding profit for the year) | | | | |
| Investments available for sale | - | - | - | - |
| Net impact on comprehensive income | 4,451 | (4,451) | 2,944 | (2,944) |

Currency risk

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

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

*(in thousands of Belarusian Roubles)***28. Risk management policies (continued)****Currency risk (continued)**

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

| 30 September 2016 | BYN | USD 1 USD = BYN 1,9264 | EUR 1 EUR = BYN 2,1610 | RUB 1 RUB = BYN 0,0305 | Precious metals | Other currencies | Total |
|---|------------------|---------------------------------------|---------------------------------------|---------------------------------------|----------------------------|-----------------------------|------------------|
| Financial assets | | | | | | | |
| Cash and cash equivalents | 277,794 | 287,391 | 235,568 | 69,576 | 4,988 | 3,447 | 878,764 |
| Mandatory cash balances with the National Bank of the Republic of Belarus | 17,870 | - | - | - | - | - | 17,870 |
| Due from banks | 2,574 | - | - | - | - | 17 | 2,591 |
| Derivative financial assets | 272 | - | - | - | - | - | 272 |
| Loans to corporate customers | 537,392 | 898,831 | 597,414 | 203,758 | - | 601 | 2,237,996 |
| Loans to individuals | 150,639 | 6,679 | 93 | - | - | - | 157,411 |
| Investments available for sale | 64,073 | 120,497 | 149,435 | 825 | - | - | 334,830 |
| Investments held to maturity | 2,052 | - | - | - | - | - | 2,052 |
| Other financial assets | 5,813 | 749 | 2,263 | 517 | - | 1,356 | 10,698 |
| Total financial assets | 1,058,479 | 1,314,147 | 984,773 | 274,676 | 4,988 | 5,421 | 3,642,484 |
| Financial liabilities | | | | | | | |
| Loans from the National Bank | - | - | - | - | - | 612 | 612 |
| Due to banks | 21,576 | 33,165 | 402,972 | 15,022 | - | 2,025 | 474,760 |
| Derivative financial liabilities | 2,202 | - | - | - | - | - | 2,202 |
| Due to individuals | 232,084 | 1,060,044 | 276,934 | 21,306 | 57,980 | - | 1,648,348 |
| Due to corporate customers | 462,229 | 239,445 | 169,149 | 77,150 | 10,826 | 1,124 | 959,923 |
| Debt securities issued | 17,778 | 70,517 | 25,663 | 7,388 | - | - | 121,346 |
| Other financial liabilities | 9,811 | 53,988 | 1,092 | 9,443 | - | 35 | 74,369 |
| Subordinated debt | - | - | 140,465 | - | - | - | 140,465 |
| Total financial liabilities | 745,680 | 1,457,159 | 1,016,275 | 130,309 | 68,806 | 3,796 | 3,422,025 |
| Currency position | 312,799 | (143,012) | (31,502) | 144,367 | (63,818) | 1,625 | |

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.

| 30 September 2016 | BYN | USD 1 USD = BYN 1,9264 | EUR 1 EUR = BYN 2,1610 | RUB 1 RUB = BYN 0,0305 | Precious metals | Other currencies | Total |
|--|----------------|---------------------------------------|---------------------------------------|---------------------------------------|----------------------------|-----------------------------|------------------|
| Claims on derivative financial instruments | 36,295 | 175,409 | 19,146 | 5,778 | 63,835 | 50 | 300,513 |
| Obligations on derivative financial instruments | (92) | (121,476) | (12,976) | (168,236) | - | - | (302,780) |
| Net derivative financial instruments | 36,203 | 53,933 | 6,170 | (162,458) | 63,835 | 50 | (2,267) |
| Total currency position less fair value of derivative | 350,932 | (89,079) | (25,332) | (18,091) | 17 | 1,675 | |

*(in thousands of Belarusian Roubles)***28. Risk management policies (continued)****Currency risk (continued)**

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

| 31 December 2015 | BYN | USD 1USD = BYN 1,8569 | EUR 1EUR = BYN 2,0300 | RUB 1RUB = BYN 0,0255 | Precious metals | Other currencies | Total |
|---|------------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------|-----------------------------|------------------|
| Financial assets | | | | | | | |
| Cash and cash equivalents | 255,647 | 158,200 | 168,704 | 25,861 | 4,683 | 2,792 | 615,887 |
| Mandatory cash balances with the National Bank of the Republic of Belarus | 17,569 | - | - | - | - | - | 17,569 |
| Due from banks | 4,555 | 6,314 | - | - | - | - | 10,869 |
| Derivative financial assets | 291,767 | - | - | - | - | - | 291,767 |
| Loans to corporate customers | 592,074 | 1,099,041 | 762,600 | 160,130 | - | 703 | 2,614,548 |
| Loans to individuals | 158,086 | 8,391 | 88 | - | - | - | 166,565 |
| Investments available for sale | 63,950 | 180,770 | 474,077 | 679 | - | - | 719,476 |
| Investments held to maturity | 1,061 | - | - | - | - | - | 1,061 |
| Other financial assets | 17,326 | 1,634 | 2,838 | 1,213 | - | 43 | 23,054 |
| Total financial assets | 1,402,035 | 1,454,350 | 1,408,307 | 187,883 | 4,683 | 3,538 | 4,460,796 |
| Financial liabilities | | | | | | | |
| Loans from the National Bank | 64,919 | - | - | - | - | - | 64,919 |
| Due to banks | 2,511 | 146,548 | 797,935 | 17,602 | - | 955 | 965,551 |
| Derivative financial liabilities | 726 | - | - | - | - | - | 726 |
| Due to individuals | 189,487 | 1,274,241 | 297,705 | 16,236 | 44,676 | - | 1,822,345 |
| Due to corporate customers | 365,369 | 421,606 | 163,053 | 57,468 | 13,563 | 2,110 | 1,023,169 |
| Debt securities issued | 24,097 | 118,177 | 33,315 | 13,277 | - | - | 188,866 |
| Other financial liabilities | 16,075 | 55,552 | 2,448 | 8,059 | - | 8 | 82,142 |
| Subordinated debt | - | - | 101,500 | - | - | - | 101,500 |
| Total financial liabilities | 663,184 | 2,016,124 | 1,395,956 | 112,642 | 58,239 | 3,073 | 4,249,218 |
| Currency position | 738,851 | (561,774) | 12,351 | 75,241 | (53,556) | 465 | |

Derivative financial instruments

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

| 31 December 2015 | BYN | USD 1USD = BYN 1,8569 | EUR 1EUR = BYN 2,0300 | RUB 1RUB = BYN 0,0255 | Precious metals | Other currencies | Total |
|--|-----------------|--------------------------------------|--------------------------------------|--------------------------------------|----------------------------|-----------------------------|------------------|
| Claims on derivative financial instruments | 6,729 | 532,523 | 257,345 | 6,144 | 53,387 | 48 | 856,176 |
| Obligations on derivative financial instruments | (77,758) | (72,088) | (305,109) | (108,265) | - | - | (563,220) |
| Net derivative financial instruments | (71,029) | 460,435 | (47,764) | (102,121) | 53,387 | 48 | 292,956 |
| Total currency position less fair value of derivative | 376,781 | (101,339) | (35,413) | (26,880) | (169) | 513 | |

*(in thousands of Belarusian Roubles)***28. Risk management policies (continued)****Currency risk sensitivity**

The following table details the Group's sensitivity to an increase and decrease in the USD, EUR and RUB rates against the BYN. This is the sensitivity rate which represents the Management's assessment of the possible change in foreign currency exchange rates as at 30 September 2016 and 31 December 2015. The sensitivity analysis includes only amounts in foreign currency available at the end of the period, the conversion of which at the end of this period is performed with the use of exchange rates changed by a certain percent in comparison with the current exchange rates.

| | As at 30 September 2016 | | As at 31 December 2015 | |
|--------------------------------|--------------------------------|----------------|-------------------------------|----------------|
| | BYN/USD | BYN/USD | BYN/USD | BYN/USD |
| | +30% | -15% | +60% | -15% |
| Impact on profit or loss | (26,724) | 13,362 | (60,804) | 15,201 |
| Impact on comprehensive income | (26,724) | 13,362 | (60,804) | 15,201 |

| | As at 30 September 2016 | | As at 31 December 2015 | |
|--------------------------------|--------------------------------|----------------|-------------------------------|----------------|
| | BYN/EUR | BYN/EUR | BYN/EUR | BYN/EUR |
| | +30% | -15% | +60% | -30% |
| Impact on profit or loss | (7,600) | 3,800 | (21,249) | 10,625 |
| Impact on comprehensive income | (7,600) | 3,800 | (21,249) | 10,625 |

| | As at 30 September 2016 | | As at 31 December 2015 | |
|--------------------------------|--------------------------------|----------------|-------------------------------|----------------|
| | BYN/RUB | BYN/RUB | BYN/RUB | BYN/RUB |
| | +37% | -30% | +37% | -30% |
| Impact on profit or loss | (6,694) | 5,427 | (9,945) | 8,064 |
| Impact on comprehensive income | (6,694) | 5,427 | (9,945) | 8,064 |

Limitations of sensitivity analysis

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

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

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

Operational risk

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

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