Closed Joint-Stock Company "Minsk Transit Bank"

Financial statements
prepared in accordance with IFRS
and Independent Auditors' Report
for the year ended 31 December 2020

Closed Joint-Stock Company “MTBank”

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Closed Joint-Stock Company "MTBank"

Statement of management's responsibilities for the preparation and approval of the financial statements for the year ended 31 December 2020

Management is responsible for the preparation of the financial statements that present fairly the financial position of Closed Joint-Stock Company "MTBank" (the "Bank") as at 31 December 2020, and the related statements of comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and other notes to the financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with the legislation and accounting rules of the Republic of Belarus;
- Taking all reasonably available measures to safeguard the assets of the Bank; and
- Detecting and preventing fraud and other violations.

The financial statements for the year ended 31 December 2020 were approved on 24 March 2021 by the Management Board of the Bank.

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank":

Chairman of the Management Board	Chief Financial Officer
D.P. Shidlovich	Y.G. Zakhvatovich
24 March 2021	24 March 2021
Minsk	Minsk

Deloitte.

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Republic of Belarus
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INDEPENDENT AUDITOR’S REPORT

To the Shareholders, the Supervisory Board, the Audit Committee and the Management Board of Closed Joint-Stock Company “MTBank”:

Opinion

We have audited the financial statements of Closed Joint-Stock Company “MTBank” (hereinafter referred to as the “Bank”), which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for 2020 in accordance with International Financial Reporting Standards (“IFRSs”).

Basis for opinion

We performed the audit in accordance with Law of the Republic of Belarus No. 56-Z *On Audit Activity* dated 12 July 2013, the national auditing rules and International Standards on Auditing (“ISA”). Our responsibilities under those requirements are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the *International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants* (the “IESBA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we do not express a separate opinion on these matters.

Why was the matter determined to be a key audit matter?	How was the matter addressed in the audit?
Assessment of expected credit losses on loans to customers We consider this issue to be a key one, since the assessment of expected credit losses on loans to customers requires the estimates and assumptions that depend on judgements of the Bank's management. Key areas of judgment and estimation uncertainty in respect of the provisions for expected credit losses on loans to customers include: • Determining the stage of impairment of loans assessed on an individual basis, based on the determination of whether a significant increase in credit risk has occurred; • Assessment of the probability of default for loans assessed on an individual basis on the first and second stages of impairment and collectively assessed loans; • Influence of macroeconomic indicators on the assessment of expected credit losses; • Regarding individually significant borrowers, the assessment of expected cash flows from selling the collateral. When assessing the significant increase in credit risk and calculating expected credit losses, the management uses the data from both external and internal sources as well as complex and subjective judgments of the Bank's management. Therefore, the auditor	Our audit procedures on auditing the assessment of expected credit losses on loans to customers comprised of: • Understanding the controls regarding the correctness of loan classification to the impairment stages and the usage of appropriate key judgments when assessing the probability of default on loans; • Assessing whether the methodologies, the models and the methods used by the management of the Bank to assess the expected credit losses comply with IFRS 9 *Financial instruments*; • Assessment of the completeness of the data — including historical data, macroeconomic forecasts — used in the models for the expected credit loss calculation based on internal and external sources; • For loans individually assessed for impairment — obtaining information on the borrowers classified into credit impairment stages, and for selected loans — assessing whether the impaired borrowers were appropriately classified for calculating allowance for expected credit losses, based on the available information from external sources; • Checking the calculation of allowance for expected credit losses for individually assessed loans;

Why was the matter determined to be a key audit matter?	How was the matter addressed in the audit?
is required to increase the scope of audit procedures, apply comprehensive professional judgements and involve internal actuarial specialists to validate the estimates made by management. Please see Note 8 *Loans to customers* to the financial statements for details on expected credit losses on loans to customers.	• Analysis of the forecasts of future cash flows used by the management to assess expected credit losses, including the assessment of the probability of default and expected cash flows from sale of the collateral, testing of the assumptions and key inputs, as well as the comparison of the estimates with the data from external sources regarding the appropriate borrowers; • For loans collectively assessed for impairment — assessment of the applied models for integrity with the assistance of internal actuaries and testing of the most significant assumptions by comparing them to the historical data and to the changes in the default ratios. We also assessed the consistency of the disclosures in the financial statements with the requirements of IFRS 9 *Financial Instruments*.
Related party transactions Related party transactions disclosure is a key issue to our audit, as due to the specific features of the Bank's ownership structure there is a risk that some related parties of the Bank may not be timely identified and disclosed to the full extent in the financial statements, while the disclosure of related party transactions in the financial statements is qualitatively material for the users. The amounts and the nature of related party transactions are disclosed in Note 29 *Related party transactions*.	As part of our performed audit procedures, we obtained understanding of controls over the process of identifying and keeping record of related parties, authorizing related party transactions and preparing the corresponding disclosure. To test the list of related parties for completeness, we searched for such parties using all available sources of information and data bases. Additionally, we challenged the management's conclusion that the related party transactions were carried out on an arm's length basis by analyzing the conditions of the executed related party deals on a sample basis. We analyzed the accounting data, the records of the Bank's collective bodies and other documentation to identify the Bank's

Why was the matter determined to be a key audit matter?	How was the matter addressed in the audit?
	related party transactions and verified that the Bank had disclosed all material related party transactions in the financial statements to the full extent.

Other Matter

The Bank's financial statements for the year ended 31 December 2019 were audited by another audit firm, that expressed an unmodified opinion in its auditor's report dated 15 April 2020 with respect to those financial statements.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Bank’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease its operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank’s financial reporting process.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of the audit carried out in accordance with the Law of the Republic of Belarus *On Audit Activity*, the national regulations on audit activity and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management and related disclosures;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

24 March 2021

Engagement Director	O.I. Stepaneyeva Auditor qualification certificate No. 0001765 from 12 November 2009 issued by the Ministry of Finance of the Republic of Belarus Certificate No. 65 on compliance with the qualification requirements to perform audit activities in the banking system dated 14 December 2011.
Audit team manager	M.A. Shachenkova Auditor qualification certificate No. 0002335 from 23 December 2015 issued by the Ministry of Finance of the Republic of Belarus. Certificate No. 94 on compliance with the qualification requirements to perform audit activities in the banking system dated 21 January 2016.
Received	D. P. Shidlovich Chairman of the Management Board, Closed Joint-Stock Company "Minsk Transit Bank"

Name of the audited entity: Closed Joint-Stock Company "MTBank"

Location: 220007, Republic of Belarus, Minsk 10, Tolstogo Str

Certificate of State Registration: state registration date:
14 March 1994, registration number in the Common State Register of Legal Entities and Individual Entrepreneurs: 100394906

Audit Firm: Foreign Unitary Audit Enterprise "Deloitte & Touche"

Address: Office w/n, 13 floor, 51A, K. Tsetkin, 220004 Minsk, Republic of Belarus

Certificate of State Registration: Certificate of state registration No. 0098185 issued on the basis of the Decision of the Minsk Executive Committee on 3 March 2014, UNP 101518377.

Member of the Audit Chamber; the registration number of the entry in the register of audit organizations: 10045

Closed Joint-Stock Company "MTBank"

Statement of Financial Position
as at 31 December 2020
(in thousands of Belarusian Rubles)

	Notes	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	5	339 986	239 283
Due from credit institutions	6	19 292	14 998
Derivative financial assets	7	50	87
Loans to customers	8	1 162 668	975 624
Investment securities	9	49 034	106 423
Property and equipment and right-of-use assets	10	26 733	32 065
Intangible assets	11	25 190	22 048
Other assets	13	9 325	7 820
TOTAL ASSETS		**1 632 278**	**1 398 348**
Liabilities			
Due to credit institutions	14	131 734	55 798
Derivative financial liabilities	7	255	60
Customer accounts	15	987 352	842 916
Debt securities issued	16	78 653	83 460
Other borrowings	17	20 672	40 928
Current income tax liability		5 357	1 715
Deferred income tax liabilities	12	12 889	12 835
Subordinated debt	18	32 783	26 825
Other liabilities	13	25 858	42 891
Total liabilities		**1 295 553**	**1 107 428**
Equity			
Share capital	19	110 426	110 426
Fair value reserve of investment securities	9	670	1 377
Retained earnings		225 629	179 117
Total equity		**336 725**	**290 920**
TOTAL EQUITY AND LIABILITIES		**1 632 278**	**1 398 348**

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank":

Chairman of the Management Board
D.P. Shidlovich

24 March 2021
Minsk

Chief Financial Officer
Y.G. Zakhvatovich

24 March 2021
Minsk

The accompanying notes on pages 16-125 form an integral part of these financial statements.

Closed Joint-Stock Company "MTBank"

Statement of Comprehensive Income
for the year ended 31 December 2020
(in thousands of Belarusian Rubles)

	Notes	2020	2019
Interest income calculated using the effective interest method			
Loans to customers		154 030	162 094
Investment securities		3 837	6 963
Due from credit institutions		3 731	1 911
		161 598	**170 968**
Other interest income		**5 547**	**4 457**
Interest expense			
Customer accounts		(36 680)	(31 272)
Debt securities issued		(8 604)	(7 718)
Other borrowings		(5 563)	(5 740)
Due to credit institutions		(6 034)	(4 576)
Subordinated debt		(1 932)	(2 000)
Operating lease liabilities		(231)	(542)
		(59 044)	**(51 848)**
Net interest income before allowance for expected credit losses for financial instruments		**108 101**	**123 577**
Allowance for expected credit losses for financial instruments	5, 6, 8, 9, 13	(22 354)	(14 849)
Net interest income		**85 747**	**108 728**
Fee and commission income	23	92 987	82 280
Fee and commission expense	23	(50 535)	(41 347)
Realized income/(loss) on investment securities reclassified to profit or loss		(34)	392
Net gain from foreign currency transactions	22	24 571	18 237
Net gain/(loss) from initial recognition of financial instruments at fair value	8, 14	(305)	533
Other income	24	10 728	10 470
Non-interest income		**77 412**	**70 565**
Staff costs	25	(47 239)	(44 788)
Depreciation and amortization	10, 11	(17 747)	(19 260)
Other operating expenses	25	(37 316)	(36 305)
Other impairment expenses	13	(40)	(563)
Non-interest expenses		**(102 342)**	**(100 916)**
Profit before income tax expense		**60 817**	**78 377**
Income tax expense	12	**(14 305)**	**(18 566)**

Closed Joint-Stock Company "MTBank"

Statement of Comprehensive Income
for the year ended 31 December 2020
(in thousands of Belarusian Rubles)

	Notes	2020	2019
Profit for the year		**46 512**	**59 811**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Realized income/(loss) on investment securities reclassified to profit or loss		34	(392)
Unrealized income/(loss) on investment securities		(34)	392
Changes in allowance for expected credit losses for investment securities		(707)	960
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**(707)**	**960**
Other comprehensive income for the year		**(707)**	**960**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**45 805**	**60 771**

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank":

Chairman of the Management Board
D.P. Shidlovich

24 March 2021
Minsk

Chief Financial Officer
Y.G. Zakhvatovich

24 March 2021
Minsk

The accompanying notes on pages 16-125 form an integral part of these financial statements.

Statement of Changes in Equity
for the Year Ended 31 December 2020
(in thousands of Belarusian Rubles)

	Share capital	Fair value reserve of investment securities	Retained earnings	Total
At 1 January 2019	**57 134**	**417**	**162 165**	**219 716**
Profit for the year	-	-	59 811	**59 811**
Other comprehensive income				
Change in allowance for expected credit losses for investment securities	-	960	-	**960**
Total other comprehensive income	**-**	**960**	**-**	**960**
Total comprehensive income for the year	-	**960**	**59 811**	**60 771**
Transactions with shareholders				
Increase in share capital (Note 19)	53 292	-	(42 859)	**10 433**
Total transactions with shareholders	**53 292**	-	**(42 859)**	**10 433**
As at 31 December 2019	**110 426**	**1 377**	**179 117**	**290 920**
Profit for the year	-	-	46 512	**46 512**
Other comprehensive income				
Change in allowance for expected credit losses for investment securities	-	(707)	-	**(707)**
Total other comprehensive income	**-**	**(707)**	**-**	**(707)**
Total comprehensive income for the year		**(707)**	**46 512**	**45 805**
At 31 December 2020	**110 426**	**670**	**225 629**	**336 725**

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank":

Chairman of the Management Board
D.P. Shidlovich

24 March 2021
Minsk

Chief Financial Officer
Y.G. Zakhvatovich

24 March 2021
Minsk

The accompanying notes on pages 16-125 form an integral part of these financial statements.

Closed Joint-Stock Company "MTBank"

Statement of Cash Flows
for the year ended 31 December 2020
(in thousands of Belarusian Rubles)

	Notes	2020	2019
Cash flows from operating activities			
Interest received		165 777	173 870
Interest paid		(59 933)	(46 603)
Commissions received		92 133	81 691
Commission paid		(50 437)	(41 322)
Realized net gain on foreign currency transactions		16 711	17 715
Other income received		10 590	13 406
Personnel expenses paid		(46 683)	(44 082)
Other operating expenses paid		(36 882)	(35 590)
Cash flows from operating activities before changes in operating assets and liabilities		**91 276**	**119 085**
Net (increase)/decrease in operating assets			
Due from credit institutions		(3 228)	35 448
Loans to customers		(126 748)	(159 353)
Other assets		1 806	50
Net increase/(decrease) in operating liabilities			
Due to credit institutions		63 839	12 949
Customer accounts		54 268	91 284
Other liabilities		(14 008)	9 819
Net cash flows from operating activities before income tax		**67 205**	**109 282**
Income tax paid		(10 593)	(27 285)
Net cash inflows from operating activities		**56 612**	**81 997**
Cash flows from investing activities			
Purchase of investment securities		(186 060)	(2 469 657)
Proceeds from sale and repayment of investment securities		253 382	2 411 284
Acquisition of property and equipment and intangible assets	10, 11	(15 193)	(14 899)
Proceeds from sale of property and equipment and intangible assets		133	784
Net cash inflow/(outflow) from investing activities		**52 262**	**(72 488)**
Cash flows from financing activities			
Proceeds from debt securities issued		264 904	531 841
Repayment of debt securities issued		(268 617)	(493 642)
Repayment of other borrowings		(29 585)	-
Proceeds from other borrowings		10 000	10 000
Lease liability payments	13	(9 699)	(8 679)

(in thousands of Belarusian Rubles)

Net cash (outflows)/inflows from financing activities		**(32 997)**	**39 520**
Effect of exchange rate changes on the balance of cash and cash equivalents		24 819	(2 871)
Net increase in cash and cash equivalents		**100 696**	**46 158**
Cash and cash equivalents at the beginning of the year		239 283	193 108
Recovery of provision for expected credit losses	5	7	17
Cash and cash equivalents at the end of the period	5	**339 986**	**239 283**

Reconciliation of changes in liabilities to cash flows arising from financing activities is presented below:

				Non-cash changes	Other changes		
	31 December 2019	**Additions**	**Repayments**	**Exchange rate movements**	**Interest paid**	**Interest accrued**	**31 December 2020**
Debt securities issued	83 460	264 904	(268 617)	175	(9 873)	8 604	78 653
Other borrowings	40 928	10 000	(29 585)	109	(6 343)	5 563	20 672
Subordinated debt	26 825	-	-	5 882	(1 856)	1 932	32 783
Total	**151 213**	**274 904**	**(298 202)**	**6 166**	**(18 072)**	**16 099**	**132 108**

Statement of Cash Flows (continued)
for the year ended 31 December 2020
(in thousands of Belarusian Rubles)

	31 December 2018	Additions	Repayments	Non-cash changes: Exchange rate movements	Other changes: Interest paid	Other changes: Interest accrued	31 December 2019
Debt securities issued	41 278	531 841	(493 642)	188	(3 923)	7 718	83 460
Other borrowings	30 562	10 000	-	102	(5 476)	5 740	40 928
Subordinated debt	38 460	-	(10 433)*	(1 299)	(1 903)	2 000	26 825
Total	**110 300**	**541 841**	**(504 075)**	**(1 009)**	**(11 302)**	**15 458**	**151 213**

*The subordinated loan of BYN 10 433 thousand was repaid in 2019 by non-cash transactions.

The movement of liabilities and cash flows on lease are disclosed in Note 13.

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank":

Chairman of the Management Board
D.P. Shidlovich

24 March 2021
Minsk

Chief Financial Officer
Y.G. Zakhvatovich

24 March 2021
Minsk

The accompanying notes on pages 16-125 form an integral part of these financial statements.

(in thousands of Belarusian Rubles)

1. Business

Closed Joint-Stock Company "Minsk Transit Bank" (hereinafter – "CJSC "MTBank"" or the "Bank") was registered under the laws of the Republic of Belarus by the National Bank of the Republic of Belarus (hereinafter − the "National Bank") on 14 March 1994 as a closed joint-stock commercial bank with foreign investment. The Bank's activities are regulated by the National Bank. The Bank operates under banking license No. 13 issued by the National Bank of the Republic of Belarus on 6 May 2013. The Bank also possesses permit (license) No. 02200/5200-1246-1112 for securities operations issued by the Ministry of Finance of the Republic of Belarus (extended until 29 July 2022 based on Decision No. 145 of 16 May 2012).

The Bank accepts deposits from the public, grants loans and transfers cash within the Republic of Belarus and abroad, exchanges currencies and provides other banking services to its corporate clients and individuals. The Bank's head office is located in Minsk.
During the reporting period, the Bank didn't change its legal address.
The legal address as at 31 December 2020 and 31 December 2019 was 10 Tolstogo Str., Minsk.

As at 31 December 2020 the Bank had the following structure: the headquarters, 5 banking service centers and 46 settlement and cash desks, 53 remote work places, 5 movable banking service centers.

As at 31 December 2019 the Bank had the following structure: the headquarters, 6 banking service centers and 51 settlement and cash desk, 54 remote work places, 5 movable banking service centers.

As at 31 December 2020 and 31 December 2019, the Bank had neither subsidiaries nor associates.

As at 31 December 2020 and 2019, the Bank's issued shares were owned by the following shareholders:

Shareholder	**31 December 2020**	**31 December 2019**
BELNEFTEGAZ ALC	58,7937%	58,7937%
MTB Investments Holdings Limited (Cyprus)	40,3395%	40,3395%
Other	0,8668%	0,8668%
	100,000%	**100,000%**

As at 31 December 2020 and 31 December 2019, the Bank's ultimate controlling owners were Alexei I. Oleksin and Inna V. Oleksina.

In January 2021 the composition of the ultimate beneficial owners of the Bank changed as follows: from 11 January 2021 the ultimate beneficial shareholders were D.A. Oleksin, V.A. Oleksin, I.V. Oleksina.

2. Basis of preparation

General. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

The Bank is required to maintain accounting and prepare financial statements for regulatory purposes in Belarusian Rubles in accordance with Belarusian accounting and banking legislation and regulations (hereinafter - “BAS”). These financial statements are based on the Bank’s BAS accounting data, as adjusted and reclassified in order to comply with IFRS.

The functional currency of the Bank is the Belarusian Ruble (BYN).

The financial statements have been prepared on a historical cost basis except for the estimate of non-monetary items recognized before 31 December 2014, which were accounted for in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies* and items measured at fair value.

These financial statements are presented in thousands of Belarusian rubles (“BYN thousand”), unless otherwise indicated.

The Bank’s shares are not traded in a public market, the securities issued by the Bank are not included in the quotation sheets of OJSC Belarusian Currency and Stock Exchange, the Bank is not recognized as listed company and, accordingly, does not apply IAS 33 *Earnings per Share* and IFRS 8 *Operating Segments*.

Impact of COVID-19 pandemic. Due to rapid spread of COVID-19 pandemic in 2020, many governments have taken different measures to combat the outburst, including imposing limitations on traveling, quarantine, entities and other organizations and isolating certain areas. These measures have had some influence on the global procurement system, on the demand on services and goods, as well as on the amount of business activity in general. It is expected that the pandemic itself and the corresponding public health protection measures and social measures may affect the activity of organizations in different economic spheres.

The government of the Republic of Belarus and the National Bank of the Republic of Belarus have taken supporting measures to avoid significant decrease of the economic indicators as a result of COVID-19 outburst. These measures include, but are not limited to, repayment holidays and relaxation of certain regulatory limitations to support the financial sector and its ability to provide funds and help their clients to avoid liquidity deficit as a result of the measures to counter the spreading of COVID-19.

The Bank continues to assess the effect of the pandemic and the changes in the economic conditions on its operations, financial position and financial results.

Estimation uncertainty. To the extent of the information available as at 31 December 2020 the Bank recognized revised assessment of future cash flows when assessing expected credit losses (ECL) (Note 8).

Going concern. The Bank has assessed its possibility to continue as a going concern considering all available information about future. The Bank developed and approved adequate and realistic action plans to ensure compliance with the development direction set forth by the strategic goals, and to ensure the Bank's operation during the epidemiological threat, as well as financing plans within crisis events. Based on the analysis of the factors relevant to the current and expected profitability of the Bank's operations, debt repayment schedules and potential sources of replacement financing, the Bank considers that use of the going concern assumption in foreseeable future is appropriate.

As for the effect of the epidemiological situation, the Bank designed and approved the Action plan to ensure uninterrupted operation and recovery of the Bank's operations in case of force majeure (epidemiological threat). The specified Plan provides for measures on the organization of remote work, mutual isolation of the personnel, procurement of individual protection means and disinfectants, sanitization, sending newsletters, holding the meetings of collective bodies in remote format, systemization of the information on diseases in the Bank, revision of the holiday schedules, limitation on personal contacts with external parties with a priority given to remote communication and sale channels, performance of the Bank's internal procedures in a remote format, increase of the payment limits for contactless cards. All the procedures provided for by the Plan are being followed.

The risk department of the Bank carried out complex stress testing of the Bank's resilience to the effects of the epidemiological situation in the country and assessed the capital adequacy for covering the risks. The effect of the changes in the Bank's operation in case of force majeure (epidemiological threat) on the risk coverage was assessed by comparing the amount of the economic capital for risk coverage to the established tolerance level and risk appetite. The Bank's Management Board analyzed the materials of the research and on the basis of this research they consider the safety buffer is sufficient to comply with the tolerance requirements, and there is insignificant exceeding of the permissible variation from the target risk appetite. Thus, the effect of the epidemiological situation on the Bank's operations is manageable and the taken risk management measures are sufficient.

Considering the measures taken, the Bank assesses that simultaneous illness and unavailability of considerable amount of employees, which might threaten the Bank's going concern, are unlikely.

The Bank can use the following alternative funding sources:

- Limitations on loan issue to new customers, decrease in the individual debt limits on newly issued loans to current customers;
- Increase in the portfolio of individual and corporate deposits by increasing the interest rates;
- Attraction of interbank loans, resources of the National Bank of the Republic of Belarus, including pledge of securities from the Bank's portfolio.

Inflation accounting. Up to 31 December 2014, the economy of the Republic of Belarus was considered to be hyperinflationary in accordance with the criteria of IAS 29 *Financial Reporting in Hyperinflationary Economies* (hereinafter – "IAS 29"). Accordingly, the adjustments and the reclassifications of items for the purposes of presentation of IFRS financial statements include restatement, in accordance with IAS 29, taking into account changes in the general purchasing power of the Belarusian Ruble.

Starting from 1 January 2015, the economy of the Republic of Belarus is no longer considered hyperinflationary. The value of non-monetary assets, liabilities and equity of the Bank, presented in measuring units as at 31 December 2014, was used to form the opening balances as at 1 January 2015.

The Bank operates in the Republic of Belarus. Consequently, the Bank is exposed to the economy and financial markets of the Republic of Belarus, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Belarus. The methods of monetary policy regulation, adopted by the National Bank, made it possible to reduce both the volatility of the Belarusian Ruble and the level of inflation over the past several years. Despite this, the period of depreciation of the Belarusian Ruble and the period of high inflation that followed the stabilization, still lead to some uncertainty in the conditions of economic activity in the Republic of Belarus.

The presented financial statements reflect management's assessment of the impact of the business environment in the Republic of Belarus on the operations and the financial position of the Bank. The actual impact of the future business environment may differ from management's assessment.

3. Significant accounting policies

Financial assets and financial liabilities.

a) *Classification of financial instruments.*

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost or at fair value through other comprehensive income ("FVTOCI") or at fair value through profit or loss ("FVTPL").

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated by the Bank as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

For debt financial assets measured at fair value through other comprehensive income, gains and losses are recognized in other comprehensive income, except for the following items that are recognized in profit or loss as well as financial assets measured at amortized cost:

- Interest income calculated using the effective interest method;
- Expected credit losses and recovered impairment losses; and
- Profit or loss from changes in exchange rates.

Upon derecognition of a debt financial asset measured at FVTOCI, accumulated profit or loss previously recognized as part of other comprehensive income is reclassified from equity to profit or loss.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

For such equity instruments, profits and losses are never reclassified to profit or loss and no impairment is recognized in profit or loss.

All other financial assets are classified as measured at FVTPL.
In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information that is provided to management. The Bank considers the following information:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how flows are realized.

Financial assets that are held for trading or whose management and performance are evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making assessment, the Bank considers:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period when the Bank changes its business model for managing financial assets.
Financial assets measured at amortized cost are initially measured at fair value including additional direct transaction costs and subsequently measured at their amortized cost using the effective interest method.

Financial assets measured at fair value are initially measured at fair value plus, if the financial assets are not measured at FVTPL, the relevant transaction costs are subsequently recognized at fair value.

In regard to financial assets measured at FVTOCI gains or losses are recognized at other comprehensive income less interest income calculated using effective interest method, expected credit losses and recovery of amounts written-off on losses and exchange rates, recognized in profit or loss.

Gains and losses on financial assets measured at FVTPL are recognized in profit or loss at subsequent restatement of a financial instrument.

<u>Financial liabilities</u>

The Bank classifies financial liabilities, other than financial guarantee contracts and loan commitments, as measured at amortized cost or at FVTPL.

Reclassification

The classification of financial liabilities after their initial recognition is not subject to change.

b) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends to realize the asset and settle the liability simultaneously. The right to set-off should not be subject to an event in the future and should have legal force in all the following circumstances:

- In the ordinary course of business;
- In case of non-compliance with the obligation; and
- In the event of insolvency or bankruptcy of the entity or any of the counterparties.

These conditions are generally not met for master netting agreements, and the assets and liabilities are recognized in the statement of financial position in full.

c) Derecognition of financial instruments

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any accumulated gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Any accumulated gain/loss recognized in other comprehensive income in respect of equity investment securities designated by the Bank as FVTOCI is not subject to reclassification to profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

d) Modifications of financial assets and financial liabilities

Modification of financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized, and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered modifications if they are a consequence of current contract terms, for example, changes in interest rates by the Bank due to changes in the refinancing rate of the National Bank of Belarus, if the corresponding loan agreement provides for the Bank to change interest rates.

The Bank conducts a quantitative and qualitative assessment of whether the modification is significant, i.e. whether cash flows for the initial financial asset and cash flows on modified or replacing financial asset are significantly different. The Bank conducts a quantitative and qualitative assessment of the modification significance, analyzing the qualitative factors, quantitative factors and the cumulative effect of qualitative and quantitative factors. If the cash flows differ significantly, it is considered that the rights to the contractual cash flows of the original financial asset have expired. In conducting this assessment, the Bank is guided by instructions regarding the derecognition of financial liabilities by analogy.

The Bank concludes that the modification is considered significant based on the following qualitative factors:

- Change in the currency of a financial asset;
- Change in the terms of a financial asset leading to SPPI discrepancy.

If cash flows are modified when the borrower has financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. Additionally, the Bank performs a qualitative evaluation of the significance of modification of terms.

If the modification of a financial asset measured at amortized cost or FVTOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the assets and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

For loans with a fixed interest rate, the terms of which stipulate the borrower's right to early repayment at nominal value without significant fines, the change in the interest rate to the market level in response to changing market conditions is taken into account by the Bank in the same way as for accounting instruments with a floating interest rate, i.e. the effective interest rate is revised prospectively.

Modification of financial liabilities

The Bank derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumed liabilities, including the new modified financial liability.

The Bank conducts a quantitative and qualitative assessment of the modification significance, analyzing the qualitative factors, quantitative factors and the cumulative effect of qualitative and quantitative factors. The Bank concludes that the modification is considered significant, based on the following qualitative factors:

- Change in the currency of the financial liability;
- Conversion condition;
- A change in the subordination of a financial liability.

For the purpose of quantification, conditions are considered to be significantly different if the present value of cash flows in accordance with new conditions, including payments of commissions less commissions received, discounted at the initial effective interest rate, differs by at least 10% of the discounted present value remaining cash flows from the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or toss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

e) Impairment

The Bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Net investments in finance leases;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognized on equity investments.

The Bank recognizes loss allowances in an amount equal to the lifetime expected credit losses, excluding financial instruments for which credit risk has not increased significantly since their initial recognition.

The Bank does not apply exemptions associated with low credit risk.

12-month expected credit losses (12-month ECL) are the portion of ECL that result from default events on a financial instrument, possible within 12 months after the reporting date. Financial instruments and associated with them 12-month ECL are classified as "Stage 1" financial instruments.

Lifetime expected credit losses (lifetime ECL) are defined as ECL as a result of all possible events of default of the financial instrument throughout its expected duration. Financial instruments that are not purchased or originated credit-impaired assets and associated with them lifetime ECL are classified as "Stage 2" financial instruments (if the credit risk has increased significantly since its initial recognition, but is not credit-impaired) and "Stage 3" (in case if the financial instrument is credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash insufficient receipts (i.e. the difference between the contractual cash flows due to the Bank and the cash flows that the Bank expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If under the parties` mutual agreement the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost, debt financial assets measured at FVTOCI and financial guarantees, loan commitments, as well as net investments in finance leases are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
The list of impairment events used by the Bank when analyzing borrowers is given in Note 26.

A loan that has been renegotiated due to a deterioration in the borrower's financial position is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Purchased or originated credit-impaired financial assets (POCI-assets)

POCI-assets are assets that are credit-impaired at initial recognition.

POCI-assets include the following assets of the Bank:

- New financial assets issued by the Bank in the framework of restructuring a credit-impaired asset (replacement of a credit-impaired asset by another asset with a similar level of credit risk);
- An asset that arose when the financial asset was derecognized as a result of a significant modification of the terms of the contracts in the framework of the restructuring of the credit-impaired financial assets;
- Acquired credit-impaired financial assets.

POCI-assets do not have an allowance for impairment at the initial recognition. Instead, the amount of ECL for the entire period is included in the calculation of the effective interest rate.

For the calculation of the effective interest rate on purchased or originated credit-impaired financial assets, the expected cash flows are used, taking into account the initial assessment of the ECL for the entire period. The estimated value of the contractual cash flows for the asset is reduced by the amount of ECL for the entire period of its validity.

The effective interest rate is adjusted for credit risk. Upon initial recognition of POCI-assets (usually originated assets), the fair value of such loans is determined based on the expected cash flows as a result of cash flows and/or forced sale of collateral.
Subsequent estimation of ECL on POCI-assets is always made in the amount equal to lifetime ECL. ECL of such assets is the amount of changes in lifetime ECL from the day of the initial recognition of the asset.

The amount reflecting positive changes in the amount of lifetime ECL is recognized as an impairment gain, even if the amount of these changes is greater than the amount previously recognized in profit or loss as an impairment loss.

Interest on POCI-assets is accrued at effective interest rate, adjusted for credit risk, determined at the time of initial recognition of the asset.

Presentation of allowance for ECL in the statement of financial position

Allowances for ECL are presented in the statement of financial position as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Bank presents a combined allowance for ECL for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVTOCI: no allowance for ECL is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the allowance for ECL is disclosed and is recognized in the fair value reserve.

Write-offs

Loans and debt securities are written-off (either partially or in full) when there is no realistic prospect of recovery.

Reimbursement of previously written-off amounts is recognized in the "other income" item in the statement of comprehensive income.

In regard to written-off financial assets, the Bank may continue to carry out debt collection activities in accordance with its internal policies.

f) Measurement of fair value of financial instruments

The Bank measures such financial instruments as investment securities and derivatives at fair value at each reporting date. The information about the fair value of financial instruments measured at amortized cost is disclosed in Note 27.

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

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, amounts due from the National Bank of the Republic of Belarus (excluding mandatory cash balances) and amounts due from credit institutions that initially mature within 90 days and are free from contractual encumbrances.

Repurchase and reverse repurchase agreements and securities lending

Repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and reclassified as securities pledged under sale and repurchase agreements, in case if the counterparty has the right to sell or repledge them under the contract terms. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position, unless they are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the statement of comprehensive income. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Bank uses various derivative financial instruments (including foreign exchange forwards and swaps). These financial instruments are held for trading and are initially recorded at fair value. Fair value is determined on the basis of market quotations or valuation models based on the current market and contractual value of the underlying instruments and other factors.

Derivative financial instruments with positive fair values are recorded as assets, and with negative fair value as liabilities. Gains and losses arising from transactions with these instruments are recorded in the statement of comprehensive income in net income/(expense) on foreign currency transactions.

Taxation

Current income tax expenses are calculated in accordance with the legislation of the Republic of Belarus.

Deferred tax assets and liabilities are calculated for all temporary differences using the balance sheet liability method. Deferred income taxes are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be offset and carried over future losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on the tax laws that have been enacted or substantively enacted as at the reporting date.

The Republic of Belarus also has various operating taxes that are applicable to the Bank's activities. These taxes are recognized as other operating expenses.

Property and equipment

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

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

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight line basis over the economic useful lives of assets.

	Years
Buildings	75-100
Computers and office equipment	1-14
Motor vehicles	6-9
Furniture and fixtures	1-50

The asset’s residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each reporting year-end. Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

Intangible assets include software and licenses for software and activities that should be licensed.

Intangible assets acquired separately are initially measured at cost adjusted for hyperinflation. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses. Intangible assets have finite useful lives and are amortized over the periods of 1 to 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Leases

i. Bank as a lessee

The Bank recognizes right-of-use assets and lease liabilities at the lease commencement date in respect of all operating leases, except for short-term leases. Initial cost of right-of-use assets is recognized in the amount of initial cost of lease liabilities adjusted for lease payments made as at the lease commencement date or before such date, increased by the initial direct costs incurred and the estimated costs that will arise from dismantling and relocation of the underlying asset, restoration of the underlying asset or the site on which it is located, less the lease incentives received.

Right-of-use assets

The Bank recognizes right-of-use assets at the lease commencement date (from the date when the use of the underlying asset is commenced). Subsequently, right-of-use assets are recognized less accumulated amortization and accumulated impairment losses, if any. Initial cost of right-of-use assets is formed from the amount of initially measured lease liability; any initial direct costs incurred by the lessee, less the amount of lease payments at the lease commencement date. Recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the following: the date of expiration of the useful life of the right-of-use asset or the lease term expiration. The right-of-use asset is assessed for impairment.

Lease liability

The lease liability is measured at amortized cost using the effective interest method. Lease payments include fixed payments less any lease incentives receivable, variable lease payments based on an index or rate at the lease commencement date, amounts expected to be paid by the Bank under residual value guarantees. Lease payments also include the call option strike price if there is reasonable certainty that the Bank will exercise the option, and penalties for termination if the lease term reflects potential exercise by the Bank of the lease termination option. Variable lease payments, which do not depend on an index or rate, are recognized as an expense on a non-recurring basis in the period to which they relate. In determining the present value of lease payments, the Bank uses the incremental borrowing rate as at the date of the lease agreement. After the date of commencement of the lease agreement, the lease liability increases by the amount of accrued interest expenses and decreases by the amount of actually made lease payments. In addition, the amount of the lease liability is revalued if the lease contract is modified or if the lease term or the amount of substantially fixed payments is changed. Where the lease liability is revised in this way, the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is charged to profit or loss if the carrying amount of the right-of-use asset was previously reduced to zero.

Short-term leases and low value leases

The Bank applies the exemption not to recognize short-term leases (for those leases where the lease term is less than 12 months from the lease commencement date, there is no option to renew the lease and purchase the underlying asset). The Bank can also apply practical expedient to leases with an underlying asset of low value (the cost of the underlying asset is less then USD 5 000 at the exchange rate effective at the reporting date).

For short-term leases and low value leases, the Bank recognizes lease payments under such leases as expenses on a straight-line basis over the lease term.

Significant judgments in determining the term of leases with a renewal option

The Bank determines the lease term as the lease period during which the Bank has sufficient assurance that the lease relations will not be terminated, together with the periods in respect of which a lease renewal option is provided for if there is sufficient assurance that the Bank will exercise this option, and the periods in respect of which a lease termination option is provided for if there is sufficient assurance that the Bank will not exercise this option. The Bank considers all relevant facts and circumstances that give rise to an economic incentive to exercise or not exercise the option. Subsequent to the lease commencement date, the Bank reassesses the lease term if there is either a significant event or a significant change in circumstances that are under the control of the Bank and affect the assessment of whether there is sufficient assurance that the option will be exercised or will not be exercised (for example, change of the business strategy).

ii. Financial lease – Bank as a lessor

At the inception or modification of the agreement containing a lease, the Bank allocates the compensation stipulated in the agreement to each lease component based on the existing relative prices of a separate transaction for such components.

Where the Bank is a lessor, at the inception of lease relationships it determines whether each of the agreements is a financial lease or an operating lease.

In order to classify a lease agreement, the Bank makes an overall assessment of whether the lease agreement transfers substantially all of the risks and rewards of ownership of the underlying asset. If this is the case, then the lease is a finance lease; otherwise, the lease is an operating lease. As part of this assessment, the Bank considers certain indicators, in particular, whether the lease term constitutes a significant part of the economic life of the asset.

The Bank recognizes lease payments receivable in the amount equal to net investments in the lease from the lease commencement date. Finance income is calculated based on a pattern reflecting a constant periodic rate of return on the carrying amount of net investments. Initial direct costs are included in the initial measurement of the lease receivables.

The Bank applies the requirements of IFRS 9 in respect of derecognition and impairment to the net investment in lease. In addition, the Bank regularly reviews the estimated unguaranteed residual values used in the calculation of the gross investment in leases to determine if changes are required.

Due to credit institutions, customers, debt securities issued and subordinated debt

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value less relevant transaction costs and subsequently at their amortized cost using the effective interest method.

Contingent assets and liabilities

Contingent liabilities are not recognized in the statement of financial position, and information about them is disclosed in the financial statements, apart from cases where the disposal of resources due to their redemption is unlikely. Contingent assets are not recognized in the statement of financial position, and information about them is disclosed in the financial statements in cases where it is probable that the economic benefits associated with them will be received.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions. Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.
The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Bank recognizes a loss allowance.

Financial liabilities recognized in relation to financial guarantees and loan commitments are included in other liabilities.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and that can be estimated reliably.

Obligations with regard to retirement and other benefits

The Bank does not have other pension arrangements other than the state pension system of the Republic of Belarus, which provides for calculating current pension funds contributions by the employer as a percentage of current total payments to the employees. These expenses are recognized in the same reporting period as the payroll to which they relate. In addition, the Bank has no significant post-retirement benefits.

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are recognized as a decrease in the amount received from the issue.

Non-monetary contributions are included in the share capital at fair value of the contributed assets as of the contribution date.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared prior to the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

Interest and similar income and expense

Effective interest rate

Interest income and expense are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate on financial assets except for those measured at FVTPL includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any allowance for expected credit losses.

The 'gross carrying amount of a financial asset' is the amortized cost of a financial asset before adjusting for any allowance for expected credit losses.

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.
However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of comprehensive income includes:

- Interest income on financial assets measured at amortized cost;
- Interest income on debt instruments measured at FVTOCI.

Other interest income presented in the statement of comprehensive income includes interest income on net finance leases.

Interest expense presented in the statement of comprehensive income includes interest expenses on financial liabilities measured at amortized cost.

Fee and commission income and expense

Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commission income — including account servicing fees, investment management fees, sales commission— is recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Net income from transactions with financial instruments measured at FVTPL

Net income from transactions with financial instruments measured at FVTPL includes gains less losses related to assets and liabilities available for trading, and all fair values changes and foreign exchange differences.

(in thousands of Belarusian Rubles)

Effect of foreign currency exchange differences

The financial statements are presented in Belarusian Rubles, which is the Bank’s functional and presentation currency. Transactions in foreign currencies are initially translated to the functional currency at the exchange rate effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate as at the reporting date. Gains and losses resulting from foreign currency transactions are recognized in the statement of comprehensive income as net gains from foreign currency transactions. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate of the National Bank at the date of the transaction are included in net gains from transactions in foreign currencies.

The official exchange rate applied in the preparation of the financial statements as of 31 December 2020 and 2019 is as follows:

	31 December 2020	31 December 2019
USD/BYN	2,5789	2,1036
EUR/BYN	3,1680	2,3524
RUB/BYN	0,034871	0,034043

New and amended IFRSs effective in the current year

The amendments to the standards and interpretations specified below became effective for the Bank starting from 1 January 2020, but had no significant effect on the Bank:

- *Amendments to IFRS 9, IFRS 7 Interest Rate Benchmark Reform;*
- *Amendments to IFRS 3 Definition of a Business;*
- *Amendments to IAS 1 and IAS 8 Definition of Materiality;*
- *Conceptual Framework – Amendments to References to the Conceptual Framework in IFRS Standards.*

New standards and interpretations not yet adopted

New standard and amendments are effective for annual periods beginning after 31 December 2020 with early application permitted. However, the Bank has not early adopted the new and amended standards in preparation of these financial statements.

The following new standards and amendments are not expected to have a significant impact on the Bank's financial statements:

- *IFRS 9 Financial Instruments — Fees in the '10 per cent' Test for Derecognition of Financial Liabilities;*
- *Interest Rate Benchmark Reform — Phase 2: amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16;*
- *Classification of Liabilities as Current or Non-Current: Amendments to IAS 1;*
- *Business Combinations — Updating a Reference to the Conceptual Framework — Amendments to IFRS 3;*
- *Property, Plant and Equipment — Proceeds before Intended Use — Amendments to IAS 16;*
- *Provisions, Contingent Liabilities and Contingent Assets — Onerous Contracts — Cost of Fulfilling a Contract — Amendments to IAS 37;*
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — Amendments to IFRS 10 and IAS 28;*
- *IFRS 17 Insurance Contracts.*

4. Significant judgements and estimates

In preparing these financial statements, the management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Adjusted estimates are recognized in a reviewed reporting period, including any other subsequent periods adjustments may impact.

Judgements

Information about assumptions used in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is disclosed in the following notes:

- Classification of financial assets: business-model valuation, within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding – Note 3.
- Establishing the criteria for determining whether credit risk on the financial assets has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL – Note 26.
- When assessing the loss given default (LGD) of individually significant borrowers the Bank applies judgment on the term of sale for the real estate taken as collateral under a corresponding loan under 12 months. If the specified term increases to 24 months, the effect to allowance for ECL will comprise BYN 407 thousand.
- For the purpose of determining the levels of the fair value hierarchy, the Bank applies judgment in regard to the active market definition. Description of the valuation methods and key inputs on financial instruments measured at fair value is given in Note 27.

(in thousands of Belarusian Rubles)

- Operating lease: The Bank cannot determine easily the interest rate stipulated in the lease agreement, which is why it uses the incremental borrowing rate to measure lease commitments. The lessee's incremental borrowing rate is the rate of interest that the Bank would have to pay at the inception of a lease to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank determines incremental borrowing rate using observable inputs (such as market interest rates), if any, and uses specific estimates. With respect to the lease term, the Bank determines whether there is reasonable certainty that the Bank will exercise options to extend and terminate the lease. For detailed information, see Note 3.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2020 is disclosed in the following notes:

- ECL assessment for financial instruments: determining inputs into the ECL measurement model, including incorporation of forecast information – Note 26;
- Impairment of financial instruments – Notes 5, 6, 8, 9, 13;
- Fair value measurement of financial assets and financial liabilities – Note 27.

5. Cash and cash equivalents

Cash and cash equivalents include:

	31 December 2020	**31 December 2019**
Current accounts with the National Bank of the Republic of Belarus	176 566	93 285
Cash on hand	98 789	68 688
Current accounts with other credit institutions	42 313	47 372
Term deposits with credit institutions up to 90 days	22 398	30 025
Total cash and cash equivalent	**340 066**	**239 370**
Net of loss allowance	(80)	(87)
Cash and cash equivalents	**339 986**	**239 283**

As at 31 December 2020, current accounts with credit institutions include BYN 20 649 thousand (2019: BYN 23 150 thousand) placed with four banks (2019: 5 banks) in the member countries of the Organization for Economic Co-operation and Development (hereinafter – "OECD").

(in thousands of Belarusian Rubles)

All balances of cash equivalents are recognized as Stage 1 for ECL calculation. Movements in the loss allowance for funds placed in current accounts with credit institutions and short-term deposits are presented in the table below.

	Stage 1	Total 2020
Allowance for ECL as at 1 January	**87**	**87**
New financial assets originated or purchased	72	72
Financial assets that have been derecognized	(79)	(79)
Allowance for ECL as at 31 December 2020	**80**	**80**

Analysis of ECL movements for the year ended 31 December 2019 is presented below:

	Stage 1	Total 2019
Allowance for ECL as at 1 January	**104**	**104**
New financial assets originated or purchased	87	**87**
Financial assets that have been derecognized	(104)	**(104)**
Allowance for ECL as at 31 December 2019	**87**	**87**

Movement in the loss allowance is associated with the changes in the amount of funds placed on current accounts in credit institutions and the National Bank of the Republic of Belarus, and short-term deposits:

	Stage 1	Total 2020
Debt as at 1 January	**170 682**	**170 682**
New financial assets originated or purchased	139 756	139 756
Financial assets that have been derecognized	(72 276)	(72 276)
Changes in foreign exchange rates and other changes	3 115	3 115
Debt as at 31 December	**241 277**	**241 277**

The movement specified above was provided to prove the change in the amount of ECL during the year and does not reflect any movement, if the Bank placed funds to its current accounts with credit institutions and the National Bank of the Republic of Belarus, as well as short-term deposits within the year.

(in thousands of Belarusian Rubles)

Analysis of changes in gross carrying amount for the year ended 31 December 2019 is presented below:

	Stage 1	Total 2019
Debt as at 1 January	**130 926**	**130 926**
New financial assets originated or purchased	85 072	85 072
Financial assets that have been derecognized	(44 857)	(44 857)
Changes in foreign exchange rates and other changes	(459)	(459)
Debt as at 31 December	**170 682**	**170 682**

6. Due from credit institutions

Due from credit institutions comprise:

	31 December 2020	31 December 2019
Mandatory reserve deposit with the National Bank of the Republic of Belarus	11 262	7 912
Term deposits placed for more than 90 days	8 199	7 205
Total due from credit organizations	**19 461**	**15 117**
Net of loss allowance	(169)	(119)
Due from credit institutions	**19 292**	**14 998**

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

As at 31 December 2020, 75% (2019: 52%) of the term deposits placed for a period exceeding 90 days were placed with one Belarusian bank.

As at 31 December 2020, the amounts due from credit institutions comprised BYN 1 271 thousand placed as collateral for obligations under settlements using payment cards and international payment systems (2019: BYN 1 288 thousand).

(in thousands of Belarusian Rubles)

Analysis of changes in ECL for the year ended 31 December 2020 is presented below:

	Stage 1	Stage 2	Total 2020
Allowance for ECL as at 1 January	**103**	**16**	**119**
Net change in loss allowance	(10)	-	(10)
New financial assets originated or purchased	48	19	67
Financial assets that have been derecognized	(13)	-	(13)
Changes in foreign exchange rates and other changes	2	4	**6**
Allowance for ECL as at 31 December	**130**	**39**	**169**

The movements above were disclosed to prove the change in the amount of ECL during the year and does not reflect any movements if the Bank placed funds with credit institutions and the National Bank of the Republic of Belarus, as well as deposits within the year.

Analysis of ECL movements for the year ended 31 December 2019 is presented below:

	Stage 1	Stage 2	Total 2019
Allowance for ECL as at 1 January	**235**	**-**	**235**
Transfer into Stage 2	(20)	20	**-**
Net change in loss allowance	8	16	**24**
New financial assets originated or purchased	17	-	**17**
Financial assets that have been derecognized	(138)	(20)	**(158)**
Changes in foreign exchange rates and other changes	1	-	**1**
Allowance for ECL as at 31 December	**103**	**16**	**119**

Analysis of changes in gross carrying amount for the year ended 31 December 2020 is presented below:

	Stage 1	Stage 2	Total 2020
Debt as at 1 January	**14 944**	**173**	**15 117**
New financial assets originated or purchased	8 046	200	8 246
Financial assets that have been derecognized	(4 492)	-	(4 492)
Changes in foreign exchange rates and other changes	551	39	**590**
Debt as at 31 December	**19 049**	**412**	**19 461**

(in thousands of Belarusian Rubles)

Analysis of changes in gross carrying amount for the year ended 31 December 2019 is presented below:

	Stage 1	Stage 2	Total 2019
Debt as at 1 January	**50 832**	**-**	50 832
Transfer into Stage 2	(4 953)	4 953	-
New financial assets originated or purchased	3 291	-	3 291
Financial assets that have been derecognized	(34 112)	(4 775)	(38 887)
Changes in foreign exchange rates and other changes	(114)	(5)	(119)
Debt as at 31 December	**14 944**	**173**	**15 117**

7. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recognized as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	31 December 2020			31 December 2019		
	Notional amount, equivalent	Fair value		Notional amount, equivalent	Fair value	
		Asset	Liability		Asset	Liability
Currency contracts						
Swaps - foreign contracts	47 731	12	(45)	-	-	-
Swaps - domestic contracts	66 144	38	(210)	-	-	-
Forwards - foreign contracts	-	-	-	28 835	36	(6)
Forwards - domestic contracts	-	-	-	70 573	51	(54)
Total derivative assets/(liabilities)	**113 875**	**50**	**(255)**	**99 408**	**87**	**(60)**

Foreign contracts are contracts concluded with non-residents of the Republic of Belarus, whereas domestic contracts are contracts concluded with residents of the Republic of Belarus represented in the table above.

As at 31 December 2020 and 31 December 2019, the Bank has positions in the following types of derivatives:

(in thousands of Belarusian Rubles)

Swaps

Swaps are contractual agreements between two parties about the exchange of amounts comprising change in the interest rate, foreign currency exchange rate or stock market indices and (for credit default swaps) on making payments when certain events for loans based on the notional amounts arise.

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customized contracts traded in the over-the-counter market.

8. Loans to customers

Loans to customers comprise:

	31 December 2020	31 December 2019
Loans to legal entities	690 224	489 306
Loans to individuals	449 348	449 212
Finance leasing	54 906	51 298
Total loans to customers	**1 194 478**	**989 816**
Net of loss allowance	(31 810)	(14 192)
Loans to customers	**1 162 668**	**975 624**

Analysis of changes in loss allowance for loans to legal entities and individuals for the year ended 31 December 2020 is presented below. The movements above were disclosed to prove the change in the amount of ECL during the year and do not reflect any movements if the debt was originated or settled within the year.

(in thousands of Belarusian Rubles)

	Stage 1	Stage 2	Stage 3	Total 2020
Allowance for ECL on loans to individuals as at 1 January				
Balance as at 1 January	**3 020**	**674**	**2 154**	**5 848**
Transfer into Stage 1	152	(116)	(36)	-
Transfer into Stage 2	(193)	193	-	-
Transfer into Stage 3	(1 877)	(76)	1 953	-
Net change in loss allowance	(517)	229	6 991	6 703
New financial assets originated or purchased	2 704	-	-	2 704
Financial assets that have been derecognized	(1 082)	(474)	(2 053)	(3 609)
Write-offs	-	-	(3 685)	(3 685)
Unwinding of discount	-	-	22	22
Allowance for ECL on loans to individuals as at 31 December	**2 207**	**430**	**5 346**	**7 983**

	Stage 1	Stage 2	Stage 3	Total 2020
Allowance for ECL on loans to legal entities as at 1 January				
Balance as at 1 January	**5 925**	**48**	**1 666**	**7 639**
Transfer into Stage 1	342	(9)	(333)	-
Transfer into Stage 2	(606)	789	(183)	-
Transfer into Stage 3	(4 464)	(11)	4 475	-
Net change in loss allowance	(933)	55	6 069	5 191
New financial assets originated or purchased	12 373	-	-	12 373
Financial assets that have been derecognized	(2 654)	(145)	(1 236)	(4 035)
Write-offs	-	-	(245)	(245)
Unwinding of discount	-	-	665	665
Changes in foreign exchange rates and other changes	693	41	58	792
Allowance for ECL on loans to legal entities as at 31 December	**10 676**	**768**	**10 936**	**22 380**

(in thousands of Belarusian Rubles)

Analysis of changes in allowance for ECL on loans to legal entities and individuals for the year ended 31 December 2019 is presented below:

	Stage 1	Stage 2	Stage 3	Total 2019
Allowance for ECL on loans to individuals as at 1 January				
Balance as at 1 January	2 196	699	2 254	5 149
Transfer into Stage 1	146	(138)	(8)	-
Transfer into Stage 2	(460)	462	(2)	-
Transfer into Stage 3	(378)	(247)	625	-
Net change in loss allowance	168	369	7 014	7 551
New financial assets originated or purchased	1 862	-	-	1 862
Financial assets that have been derecognized	(514)	(471)	(2 233)	(3 218)
Unwinding of discount	-	-	73	73
Write-offs	-	-	(5 569)	(5 569)
Allowance for ECL on loans to individuals as at 31 December	**3 020**	**674**	**2 154**	**5 848**

(in thousands of Belarusian Rubles)

	Stage 1	Stage 2	Stage 3	Total 2019
Allowance for ECL on loans to legal entities as at 1 January				
Balance as at 1 January	**1 789**	**428**	**1 039**	**3 256**
Transfer into Stage 1	382	(308)	(74)	-
Transfer into Stage 2	(34)	68	(34)	-
Transfer into Stage 3	(730)	(113)	843	-
Net change in loss allowance	818	30	3 396	4 244
New financial assets originated or purchased	4 651	-	-	4 651
Financial assets that have been derecognized	(925)	(57)	(999)	(1 981)
Write-offs	-	-	(2 558)	(2 558)
Unwinding of discount	-	-	53	53
Changes in foreign exchange rates and other changes	(26)	-	-	(26)
Allowance for ECL on loans to legal entities as at 31 December	**5 925**	**48**	**1 666**	**7 639**

Movement in loss allowance is associated with the changes in gross carrying amount of loans to individuals:

	Stage 1	Stage 2	Stage 3	Total 2020
Loans to individuals as at 1 January				
Balance as at 1 January	**440 873**	**3 779**	**4 560**	**449 212**
Transfer into Stage 1	861	(778)	(83)	-
Transfer into Stage 2	(3 603)	3 604	(1)	-
Transfer into Stage 3	(12 285)	(504)	12 789	-
New financial assets originated or purchased	174 333	-	-	174 333
Financial assets that have been derecognized	(164 801)	(2 969)	(2 791)	(170 561)
Write-offs	-	-	(3 685)	(3 685)
Unwinding of discount	-	-	22	22
Changes in foreign exchange rates and other changes	27	-	-	27
Loans to individuals as at 31 December	**435 405**	**3 132**	**10 811**	**449 348**

Decrease in the gross carrying amount on loans to individuals is caused primarily by decrease in the period of turnover on installment credit cards on contracts with individuals.

(in thousands of Belarusian Rubles)

The Bank continued to apply debt collection procedures to all loans to individuals written-off during the years ended 31 December 2020 and 31 December 2019.

Movement in loss allowance is associated with the changes in gross carrying amount of loans to legal entities:

	Stage 1	**Stage 2**	**Stage 3**	**Total 2020**
Loans to legal entities as at 1 January				
Balance as at 1 January	**484 812**	**401**	**4 093**	**489 306**
Transfer into Stage 1	973	(130)	(843)	-
Transfer into Stage 2	(30 715)	31 141	(426)	-
Transfer into Stage 3	(26 175)	(107)	26 282	-
New financial assets originated or purchased	379 504	-	-	379 504
Financial assets that have been derecognized	(202 048)	(5 190)	(7 397)	(214 635)
Write-offs	-	-	(245)	(245)
Unwinding of discount	-	-	665	665
Changes in foreign exchange rates and other changes	32 795	1 023	1 811	35 629
Loans to legal entities as at 31 December	**639 146**	**27 138**	**23 940**	**690 224**

The Bank continues to apply debt collection procedures to all loans to legal entities written-off during the years ended 31 December 2020 and 31 December 2019.

(in thousands of Belarusian Rubles)

Analysis of changes in loans to legal entities and individuals for the year ended 31 December 2019 is presented below:

	Stage 1	**Stage 2**	**Stage 3**	**Total 2019**
Loans to individuals as at 1 January				
Balance as at 1 January	**383 502**	**3 625**	**4 511**	**391 638**
Transfer into Stage 1	704	(689)	(15)	-
Transfer into Stage 2	(11 223)	11 226	(3)	-
Transfer into Stage 3	(1 153)	(8 483)	9 636	-
New financial assets originated or purchased	222 772	-	-	222 772
Financial assets that have been derecognized	(153 729)	(1 900)	(4 072)	(159 701)
Write-offs	-	-	(5 569)	(5 569)
Unwinding of discount	-	-	72	72
Loans to individuals as at 31 December	**440 873**	**3 779**	**4 560**	**449 212**

	Stage 1	**Stage 2**	**Stage 3**	**Total 2019**
Loans to legal entities as at 1 January				
Balance as at 1 January	**402 397**	**10 362**	**3 304**	**416 063**
Transfer into Stage 1	7 932	(7 660)	(272)	-
Transfer into Stage 2	(3 584)	3 707	(123)	-
Transfer into Stage 3	(1 837)	(3 546)	5 383	-
New financial assets originated or purchased	305 317	-	-	305 317
Financial assets that have been derecognized	(225 310)	(2 462)	(1 694)	(229 466)
Unwinding of discount	-	-	53	53
Write-offs	-	-	(2 558)	(2 558)
Changes in foreign exchange rates and other changes	(103)	-	-	(103)
Loans to legal entities as at 31 December	**484 812**	**401**	**4 093**	**489 306**

(in thousands of Belarusian Rubles)

The allowance for impairment in the tables above includes expected credit losses on certain loan commitments to customers, such as lines of credit, credit cards, overdrafts, since the Bank can not determine the expected credit losses on the uncalled component of loan commitments separately from those related to loans already issued within the loan commitments.

As at 31 December 2020 the Bank implemented some changes to the process of assessing expected credit losses due to the continued COVID-19 pandemic. In particular, it revised the indicators of significant increase in the credit risk and did not make automated conclusions on significant increase in credit risk if the credit was modified as a result of implemented state support measures. The Bank unified the approach to the calculating the probability of default of clients for the first and subsequent years of credit life: it selected the chain ladder method as the unified assessment method. For the largest borrowers, the individual assessment of expected credit losses was introduced. The Bank also updated the forecast information, including macroeconomic indicator forecasts and the weight scenarios. To present appropriately the uncertainty related to COVID-19 spreading, the Bank applied additional individual adjustments on the basis of changes in ratings or other parameters subject to stress changes.

The table below discloses additional adjustments introduced by the management when assessing the expected credit losses they have already recognized as at 31 December 2020:

	ECL according to the model	Adjustments of the model and additional adjustments of the management	Total ECL	Adjustments in % from total ECL
Loans to legal entities	23 998	(1 618)	22 380	(6,74)
Loans to individuals	8 520	(537)	7 983	(6,30)
Finance leases	2 346	(899)	1 447	(38,32)
Total	**34 864**	**(3 054)**	**31 810**	**(8,76)**

The amount and type of collateral required by the Bank depends on the assessment of the counterparty’s credit risk. Guidelines are implemented regarding the acceptability of collateral types and valuation parameters.

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions – cash or securities;
- For commercial lending – pledge of real estate, inventory and accounts receivable;
- For car lending – pledge of a car.

(in thousands of Belarusian Rubles)

The Bank also obtains guarantees from parent companies for loans to their subsidiaries.

The information about loans to customers as at 31 December in the context of collateral types is presented below. Information is based on the loans carrying amount before allowance for expected credit losses, rather than the fair value of the collateral.

	31 December 2020	**31 December 2019**
Real property	363 248	192 098
Property and equipment	127 979	106 233
Goods for sale	77 581	79 746
Cash	636	25 549
Other	79 950	81 335
Unsecured	545 084	504 855
Loans to customers	**1 194 478**	**989 816**

The table above excludes the cost of overcollateralization.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

Since the Bank focuses on the creditworthiness of borrowers, the Bank, as a rule, does not revise the estimated value of collateral, unless the credit risk on a loan has increased significantly and the loan is monitored closely. Accordingly, the Bank does not regularly revise the estimated value of collateral accepted for all loans to customers. For loans for which an evidence of impairment has been identified, the Bank typically revises the estimated value of collateral. As at 31 December 2020, the cost of collateral for credit-impaired debt to legal entities amounted to BYN 23 887 thousand (31 December 2019: BYN 4 299 thousand).

As at 31 December 2020, 99,46% of the retail loan portfolio amounting to BYN 446 561 thousand (31 December 2019: 99,16%, or BYN 448 537 thousand) is represented by unsecured loans.

As at 31 December 2020, loans secured by guarantee deposits amounted to BYN 636 thousand (31 December 2019: BYN 25 549 thousand).

(in thousands of Belarusian Rubles)

Concentration of loans to customers

As at 31 December 2020, the concentration of loans issued by the Bank to ten largest borrowers groups amounted to BYN 310 581 thousand, or 26% of gross loan portfolio. A loss allowance was created for the loans of BYN 5 348 thousand. As at 31 December 2019, the concentration of loans issued by the Bank to ten largest borrowers groups amounted to BYN 203 780 thousand, or 21% of gross loan portfolio. An impairment allowance of BYN 1 703 thousand was created for the loans.

Structure of the loan portfolio by the types of customers is as follows:

	31 December 2020	31 December 2019
Private companies	645 393	501 728
Individuals	449 348	449 212
State organizations	99 737	38 876
Loans to customers	**1 194 478**	**989 816**

Loans are primarily issued to customers located within the Republic of Belarus, operating in the following industry sectors:

	31 December 2020	31 December 2019
Individuals	449 348	449 212
Wholesale and retail trade	336 267	267 927
Manufacturing	142 484	73 110
Real estate	106 855	63 716
Transportation	55 129	59 221
Construction	55 053	38 866
Food industry	4 913	4 415
Others	44 429	33 349
Loans to customers	**1 194 478**	**989 816**

In 2020, the Bank financed start-up companies within a program with OJSC Development Bank of the Republic of Belarus. As at 31 December 2020, the contractual interest rate on loans in Belarusian rubles issued under this program ranged from 6,375% to 11,25%. Losses on initial recognition of loans issued under the program at fair value comprised BYN 910 thousand (due to market rates on loans in 2019, losses on initial recognition of financial instruments at fair value for 2019 were not recognized). Balances under these loan agreements amounted to BYN 8 705 thousand as at 31 December 2020, BYN 6 080 thousand as at 31 December 2019.

(in thousands of Belarusian Rubles)

Finance lease receivables

The Bank is a lessor under finance lease agreements. The subject of the lease are motor vehicles, industrial equipment and real estate items. The term of the lease agreement is from 12 months to 48 months for motor vehicles and up to 60 months under other lease agreements.

Subject to agreement with the Bank, the lessee is entitled to early fulfill its obligations under the lease agreement in full in advance provided that at least one year has passed from the date of actual transfer of lease item to the lessee. Upon written consent of the Bank, the lease item may be leased, subleased or transferred gratuitously provided that the legislation requirements are met. In case of early termination of the lease agreement and withdrawal by the Bank (return by the lessee) of the lease item, the lessee must apply to the relevant registration authority for introduction of amendments to information on state registration of the lease item as required.

The analysis of finance lease receivables as at 31 December 2020 is as follows:

	Up to 1 year	**From 1 to 5 years**	**Total 31 December 2020**
Gross investments in finance leases	41 263	27 502	**68 765**
Unearned future finance income on finance leases	(6 290)	(7 569)	**(13 859)**
Net investment in finance leases	**34 973**	**19 933**	**54 906**

The analysis of finance lease receivables as at 31 December 2019 is as follows:

	Up to 1 year	**From 1 to 5 years**	**Total 31 December 2019**
Gross investments in finance leases	37 111	22 903	**60 014**
Unearned future finance income on finance leases	(3 456)	(5 260)	**(8 716)**
Net investment in finance leases	**33 655**	**17 643**	**51 298**

(in thousands of Belarusian Rubles)

Information on created loss allowance related to finance lease receivables for the year ended 31 December 2020 is presented below:

BYN thousand	Stage 1	Stage 2	Stage 3	Total 2020
Allowance for ECL as at 1 January on financial leases	**559**	**77**	**69**	**705**
Transfer into Stage 2	(66)	66	-	-
Transfer into Stage 3	(263)	-	263	-
Net change in loss allowance	(82)	33	814	765
New financial assets originated or purchased	446	-	-	446
Financial assets that have been derecognized	(341)	(69)	(83)	(493)
Changes in foreign exchange rates and other changes	17	4	3	24
Allowance for ECL as at 31 December on financial leases	**270**	**111**	**1 066**	**1 447**

Information on created loss allowance related to finance lease receivables for the year ended 31 December 2019 is presented below:

BYN thousand	Stage 1	Stage 2	Stage 3	Total 2019
Allowance for ECL as at 1 January on financial leases	**162**	**32**	**147**	**341**
Transfer into Stage 1	17	(4)	(13)	-
Transfer into Stage 2	(70)	70	-	-
Transfer into Stage 3	-	(48)	48	-
Net change in loss allowance	848	84	886	1 818
New financial assets originated or purchased	527	-	-	527
Financial assets that have been derecognized	(925)	(57)	(999)	(1 981)
Allowance for ECL as at 31 December on financial leases	**559**	**77**	**69**	**705**

(in thousands of Belarusian Rubles)

Analysis of changes in finance lease receivables for the year ended 31 December 2020 is presented below:

	Stage 1	Stage 2	Stage 3	Total 2020
Finance leases as at 1 January				
Balance as at 1 January	**50 813**	**350**	**135**	**51 298**
Transfer into Stage 1	-	-	-	-
Transfer into Stage 2	(3 360)	3 360	-	-
Transfer into Stage 3	(3 327)	-	3 327	-
New financial assets originated or purchased	37 123	-	-	37 123
Financial assets that have been derecognized	(32 330)	(1 383)	(1 366)	(35 079)
Changes in foreign exchange rates and other changes	1 153	161	250	1 564
Finance leases as at 31 December	**50 072**	**2 488**	**2 346**	**54 906**

Analysis of changes in finance lease receivables for the year ended 31 December 2019 is presented below:

	Stage 1	Stage 2	Stage 3	Total 2019
Finance leases as at 1 January				
Balance as at 1 January	**33 598**	**559**	**532**	**34 689**
Transfer into Stage 1	159	(112)	(47)	-
Transfer into Stage 2	(654)	654	-	-
Transfer into Stage 3	-	(189)	189	-
New financial assets originated or purchased	41 842	-	-	**41 842**
Financial assets that have been derecognized	(24 132)	(562)	(539)	**(25 233)**
Finance leases as at 31 December	**50 813**	**350**	**135**	**51 298**

(in thousands of Belarusian Rubles)

9. Investment securities

Investment securities measured at FVTOCI are presented as follows:

	31 December 2020	**31 December 2019**
Debt securities	48 463	95 335
Debt securities pledged under other contracts	-	10 517
Equity securities	571	571
Total investment securities	**49 034**	**106 423**

The Bank on its own classified investments set in the table below as equity securities measured at FVTOCI. According to the Bank's expectations, these investments will be held in the long-term perspective in order to achieve the objectives set, that's why the Bank reclassified them into securities measured at FVTOCI.

Equity securities held by the Bank are as follows:

	Fair value as at 31 December 2020	**Fair value as at 31 December 2019**
OJSC Non-bank financial institution Single Settlement and Information Space (SSIS)	483	483
SWIFT	87	87
Other	1	1
Total investments in equity securities measured at FVTOCI	**571**	**571**

As of 31 December 2020, there are no financial assets pledged as collateral for the funds raised from banks. As at 31 December 2019, the following financial assets were transferred as collateral for the funds borrowed from banks (Note 14): government long-term bonds of the Ministry of Finance of the Republic of Belarus of 260 issue in quantity of 5 000 items amounting to BYN 10 517 thousand.

(in thousands of Belarusian Rubles)

Debt securities measured at FVTOCI but not pledged are presented by the following instruments:

	31 December 2020	31 December 2019
Bonds issued by republican authorities	48 463	50 050
Bonds issued by the National Bank	-	32 634
Bonds issued by Belarusian banks	-	12 651
Total securities measured at FVTOCI	**48 463**	**95 335**
Loss allowance	(670)	(1 201)
Carrying amount is a fair value of securities measured at FVTOCI	**48 463**	**95 335**

Securities measured at FVTOCI pledged under repurchase and other agreements are represented by the following instruments (Note 14):

	31 December 2020	31 December 2019
Bonds issued by republican authorities	-	10 517
Total securities measured at FVTOCI pledged under repurchase agreements and other agreements	**-**	**10 517**
Loss allowance	-	(176)
Securities measured at FVTOCI pledged under repurchase and other agreements	**-**	**10 517**

(in thousands of Belarusian Rubles)

Movement in loss allowance of securities measured at FVTOCI is presented below:

	Stage 1	Total 2020
Investment securities		
Balance as at 1 January	**1 377**	**1 377**
New financial assets originated or purchased	388	**388**
Financial assets that have been derecognized	(1 102)	**(1 102)**
Net change in allowance	55	**(55)**
Changes in foreign exchange rates and other changes	62	**62**
Balance as at 31 December	**670**	**670**

Analysis of ECL movements for the year ended 31 December 2019 is presented below:

	Stage 1	Total 2019
Investment securities		
Balance as at 1 January	**417**	**417**
New financial assets originated or purchased	1 375	**1 375**
Financial assets that have been derecognized	(415)	**(415)**
Balance as at 31 December	**1 377**	**1 377**

(in thousands of Belarusian Rubles)

Change in loss allowance for securities measured at FVTOCI is associated with a change in the debt for which the allowance is formed:

	Stage 1	Total 2020
Securities measured at FVTOCI as at 1 January		
Balance as at 1 January	**105 852**	**105 852**
New financial assets originated or purchased	28 020	**28 020**
Financial assets that have been derecognized	(89 177)	**(89 177)**
Changes in foreign exchange rates and other changes	3 768	**3 768**
Securities measured at FVTOCI as at 31 December	**48 463**	**48 463**

The above-mentioned movement has been complied for the purpose of justifying a change in the value of expected credit losses during the year and does not reflect movements if the acquisition and sale of investment securities occurred within one year.

Analysis of changes in investment securities measured at FVTOCI for the year ended 31 December 2019 is presented below:

	Stage 1	Total 2019
Securities measured at FVTOCI as at 1 January		
Balance as at 1 January	**47 418**	**47 418**
New financial assets originated or purchased	105 724	**105 724**
Financial assets that have been derecognized	(47 285)	**(47 285)**
Changes in foreign exchange rates and other changes	(5)	**(5)**
Securities measured at FVTOCI as at 31 December	**105 852**	**105 852**

(in thousands of Belarusian Rubles)

10. Property and equipment

Movements in property and equipment are as follows:

	Buildings	Computers and office equipment	Vehicles	Furniture and fixtures	Construc-tion in progress	Right-of-use assets	Total
Cost							
As at 1 January 2020	**4 516**	**17 423**	**677**	**9 648**	**1 144**	**24 314**	**57 722**
Additions	53	5 450	-	773	-	5 380	**11 656**
Disposal	(225)	(481)	(14)	(604)	-	(6 213)	**(7 537)**
Transfers	2	114	-	16	(132)	-	-
As at 31 December 2020	**4 346**	**22 506**	**663**	**9 833**	**1 012**	**23 481**	**61 841**
Accumulated depreciation							
As at 1 January 2020	**(1 144)**	**(11 035)**	**(507)**	**(5 646)**	**-**	**(7 325)**	**(25 657)**
Depreciation charge	(96)	(2 439)	(70)	(1 293)	-	(8 776)	**(12 674)**
Disposal	220	474	13	455	-	2 061	**3 223**
As at 31 December 2020	**(1 020)**	**(13 000)**	**(564)**	**(6 484)**	**-**	**(14 040)**	**(35 108)**
Net carrying amount							
As at 1 January 2020	**3 372**	**6 388**	**170**	**4 002**	**1 144**	**16 989**	**32 065**
As at 31 December 2020	**3 326**	**9 506**	**99**	**3 349**	**1 012**	**9 441**	**26 733**
Historical cost as at 31 December 2018	4 803	16 142	680	8 851	654	-	**31 130**
Effect of applying IFRS 16	-	-	-	-	-	22 988	**22 988**
As at 1 January 2019	4 803	16 142	680	8 851	654	22 988	**54 118**
Additions	111	2 102	121	1 221	490	1 419	**5 464**
Disposal	(398)	(821)	(124)	(424)	-	(93)	**(1 860)**
As at 31 December 2019	**4 516**	**17 423**	**677**	**9 648**	**1 144**	**24 314**	**57 722**
Accumulated depreciation							
As at 1 January 2019	(1 196)	(9 455)	(464)	(4 566)	-	-	**(15 681)**
Depreciation charge	(82)	(2 385)	(83)	(1 467)	-	(8 308)	**(12 325)**
Disposal	134	805	40	387	-	983	**2 349**
As at 31 December 2019	**(1 144)**	**(11 035)**	**(507)**	**(5 646)**	**-**	**(7 325)**	**(25 657)**
Net carrying amount						-	
31 December 2018	**3 607**	**6 687**	**216**	**4 285**	**654**	**--**	**15 449**
Effect of applying IFRS 16	-	-	-	-	-	22 988	**22 988**
As at 1 January 2019	**3 607**	**6 687**	**216**	**4 285**	**654**	**22 988**	**38 437**
As at 31 December 2019	**3 372**	**6 388**	**170**	**4 002**	**1 144**	**16 989**	**32 065**

As at 31 December 2020 and 31 December 2019, the cost of fully depreciated property and equipment made up BYN 7 882 thousand and BYN 8 002 thousand, respectively. As at 31 December 2020 and 31 December 2019, the Bank had no impairment indicators of property and equipment.

(in thousands of Belarusian Rubles)

11. Intangible assets

Movements in intangible assets are as follows:

	31 December 2020	31 December 2019
Value		
Aa at 1 January	**35 776**	38 473
Additions	8 215	9 540
Disposal	(32)	(12 237)
As at 31 December	**43 959**	**35 776**
Accumulated amortisation		
Aa at 1 January	**(13 728)**	(15 715)
Amortization charge	(5 073)	(6 935)
Disposal	32	8 922
As at 31 December	**(18 769)**	**(13 728)**
Net carrying amount		
Aa at 1 January	**22 048**	**22 758**
As at 31 December	**25 190**	**22 048**

As at 31 December 2020 and 31 December 2019, the cost of fully amortized intangible assets amounted to BYN 2 848 thousand and BYN 2 931 thousand, respectively.

The Bank’s intangible assets are primary represented by software used in banking (accounting systems, software for processing systems and business lines) and licensing agreements for its use.

(in thousands of Belarusian Rubles)

12. Taxation

Income tax expense comprises:

	Total 2020	Total 2019
Current income tax expense	14 251	21 912
Deferred tax income/(expense) – origination and reversal of temporary differences	54	(3 346)
Income tax expense	**14 305**	**18 566**

Belarusian legal entities are obliged to calculate and pay taxes by themselves. The income tax rate for banks is set at 25% from 1 January 2015, excluding income from transactions with securities that are not taken into account when determining gross profit in accordance with the Tax Code of the Republic of Belarus.

The Bank calculates deferred tax assets and liabilities as at 31 December 2020 and 31 December 2019 using 25% tax rate.

The effective income tax rate differs from the statutory income tax rate. Reconciliation of the income tax expense based on statutory rates with the actual one is as follows:

	Total 2020	Total 2019
Income before income tax	**60 817**	**78 377**
Statutory tax rate	25%	25%
Theoretical income tax expense at the statutory rate	**15 204**	**19 594**
Income tax benefit on securities	(1 192)	(1 902)
Income tax benefit on capital investments	-	(298)
Other non-deductible expenses, net	293	1 172
Income tax expense	**14 305**	**18 566**

(in thousands of Belarusian Rubles)

Deferred tax assets and liabilities as at 31 December and their movements for the respective years are presented in the table below:

	31 December 2018	Origination and reversal of temporary differences in the statement of profit or loss	31 December 2019	Origination and reversal of temporary differences in the statement of profit or loss	31 December 2020
Tax effect of deductible temporary differences					
Cash and cash equivalents	26	(4)	**22**	(22)	**-**
Derivative financial assets	12	(12)	**-**	-	**-**
Derivative financial liabilities	-	15	**15**	49	**64**
Property and equipment	17	2 178	**2 195**	3 936	**6 131**
Intangible assets	-	121	**121**	-	**121**
Assets classified as held for sale	-	2	**2**	(2)	**-**
Customer accounts	-	-	**-**	31	**31**
Other assets	1 873	37	**1 910**	(672)	**1 238**
Other liabilities	1 476	(184)	**1 292**	58	**1 350**
Tax effect of taxable temporary differences					
Cash and cash equivalents	-	-	**-**	(10)	**(10)**
Due from credit institutions	(38)	(9)	**(47)**	(46)	**(93)**
Derivative financial assets	(4)	(18)	**(22)**	9	**(13)**
Loans to customers	(17 941)	3 306	**(14 635)**	(1 371)	**(16 006)**
Investment securities	(11)	(54)	**(65)**	63	**(2)**
Intangible assets	(30)	30	**-**	-	**-**
Due to credit institutions	(360)	98	**(262)**	8	**(254)**
Customer accounts	(15)	15	**-**	-	**-**
Derivative financial liabilities	(4)	4	**-**	-	**-**
Debt securities issued	(40)	(18)	**(58)**	(5)	**(63)**
Other borrowed funds	(26)	(11)	**(37)**	17	**(20)**
Other liabilities	(1 006)	(2 165)	**(3 171)**	(2 111)	**(5 282)**
Subordinated debt	(110)	15	**(95)**	14	**(81)**
Net deferred tax liabilities	**(16 181)**	**3 346**	**(12 835)**	(54)	**(12 889)**

(in thousands of Belarusian Rubles)

13. Other assets and liabilities

Other assets comprise:

	31 December 2020	31 December 2019
Accrued commission income	812	582
Receivables	278	460
Banking operations receivable	-	472
Total financial assets	**1 090**	**1 514**
Prepaid taxes, other than income tax	2 858	2 141
Prepayments and other debtors	3 181	2 070
Prepaid expenses	1 202	1 542
Inventories	1 198	426
Assets classified as held for sale	-	401
Total non-financial assets	**8 439**	**6 580**
Net of loss allowance for other financial assets	(204)	(274)
Other financial assets less allowance	**886**	**1 240**
Other assets	**9 325**	**7 820**

As at 31 December 2020, prepayments and other debtors include prepayment for property and equipment in the amount of BYN 2 403 thousand (2019 - BYN 1 558 thousand). In 2020, an inventory impairment in the amount of BYN 40 thousand was recognized (2019: BYN 299 thousand).

(in thousands of Belarusian Rubles)

Other liabilities include the following items:

	31 December 2020	31 December 2019
Operating lease liabilities	11 907	16 430
Accrued liabilities on loyalty programs	1 831	1 040
Trade accounts payable	977	837
Allowance for expected credit losses on contingent liabilities (Note 22)	30	279
Payables on property and equipment and intangible assets	245	182
Accrued commission expenses	186	69
Banking operations payable	-	13 216
Other	548	1 212
Total financial liabilities	**15 724**	**33 265**
Payable to employees	3 901	3 345
Taxes payable, other than income tax	3 360	2 750
Deferred revenue on annual card service commission	2 477	2 911
Payables to Deposit Insurance Agency	381	592
Deferred income	15	28
Total non-financial liabilities	**10 134**	**9 626**
Other liabilities	**25 858**	**42 891**

Movement in loss allowance of other financial assets for 2020 is presented below:

	Stage 1	Stage 2	Stage 3	Total 2020
Loss allowance of other assets as at 1 January	**-**	-	**274**	**274**
Transfer into Stage 2	(91)	91	-	-
Transfer into Stage 3	-	(91)	91	-
Net change in loss allowance	-	-	773	**773**
New financial assets originated or purchased	91	-	-	**91**
Financial assets that have been derecognized	-	-	(13)	**(13)**
Write-offs	-	-	(921)	**(921)**
Loss allowance of other assets as at 31 December	**-**	-	**204**	**204**

(in thousands of Belarusian Rubles)

Movement in loss allowance of other financial assets for 2019 is presented below:

	Stage 1	Stage 2	Stage 3	Total 2019
Loss allowance of other assets as at 1 January	**-**	-	**328**	**328**
Transfer into Stage 2	(155)	155	-	**-**
Transfer into Stage 3	-	(155)	155	**-**
Net change in loss allowance	-	-	828	**828**
New financial assets originated or purchased	155	-	-	**155**
Financial assets that have been derecognized	-	-	(36)	**(36)**
Write-offs	-	-	(1 001)	**(1 001)**
Loss allowance of other assets as at 31 December	**-**	-	**274**	**274**

The change in loss allowance for other financial assets is caused by change in the balance for which the allowance is formed:

	Stage 1	Stage 3	Total 2020
Other financial assets balance as at 1 January			
Balance as at 1 January	**957**	**557**	**1 514**
Transfer into Stage 3	(666)	666	-
New financial assets originated or purchased	669	-	669
Financial assets that have been derecognized	(154)	(18)	(172)
Write-offs	-	(921)	(921)
Other financial assets balance as at 31 December	**806**	**284**	**1 090**

The above-mentioned movement has been complied for the purpose of justifying a change in the value of expected credit losses during the year and does not reflect movements if the origination and repayment of debt on other financial assets has occurred during the year.

(in thousands of Belarusian Rubles)

Movement in balance for 2019 is presented below:

	Stage 1	Stage 3	Total 2019
Other financial assets balance as at 1 January			
Balance as at 1 January	1 874	613	**2 487**
Transfer into Stage 3	(976)	976	-
New financial assets originated or purchased	1 462	-	1 462
Financial assets that have been derecognized	(1 403)	(31)	(1 434)
Write-offs	-	(1 001)	(1 001)
Other financial assets balance as at 31 December	**957**	**557**	**1 514**

Below there is the carrying amount of the lease liabilities and the movement during the period:

	2020	2019
Aa at 1 January	**16 430**	**22 538**
Additions	4 379	2 374
Interest accrued	231	542
Payments	(9 930)	(8 679)
Early termination of agreements	(3 462)	(56)
Revaluation of foreign currency agreements	4 259	(289)
As at 31 December	**11 907**	**16 430**

In 2020, the total cash outflow under the Bank's lease agreements amounted to BYN 10 945 thousand (2019: BYN 9 124 thousand). In 2020, the Bank also had non-cash additions of right-of-use assets and lease liabilities in the amount of BYN 4 426 thousand (2019: BYN 1 419 thousand).

(in thousands of Belarusian Rubles)

14. Due to credit institutions

Due to credit institutions comprise:

	31 December 2020	31 December 2019
Term deposits and loans from local banks	93 370	18 589
Term deposits and loans from foreign banks	37 354	36 718
Current accounts	1 010	491
Due to credit institutions	**131 734**	**55 798**

As at 31 December 2020, due to credit institutions of BYN 65 805 thousand (50%) were due to two banks.

As at 31 December 2019 due to credit institutions of BYN 18 589 thousand (33%) were due to seven banks.

As at 31 December 2020 and 31 December 2019, there were no funds raised under REPO agreements for which the Bank's securities were pledged as collateral (Note 9).

Gain on initial recognition of loans

In 2020, the Bank financed start-up companies as part of a joint program with OJSC Development Bank of the Republic of Belarus (Note 8). As at 31 December 2020, the amount of funds attracted under this program was BYN 23 729 thousand (2019: BYN 15 480 thousand). Gain on initial recognition of financial instruments at fair value for 2020 was BYN 605 thousand (2019 - BYN 533 thousand).

15. Due to customers

Due to customers comprise:

	31 December 2020	31 December 2019
Term deposits	594 761	467 871
Current customer accounts	392 591	375 045
Due to customers	**987 352**	**842 916**
Including cash held as security under the letters of credit	**2 944**	**5 590**

(in thousands of Belarusian Rubles)

Term deposits include deposits held by the Bank as security under irrevocable letters of credit. The Bank is obliged to repay the deposits upon expiry of the respective letters of credit.

As at 31 December 2020, due to customers in the amount of BYN 303 985 thousand (31%) were represented by due to ten largest customers (2019: BYN 126 697 thousand (15%)).
As at 31 December 2020, the amount of debt on guarantee deposit of the largest of the above mentioned clients (group of related clients) was BYN 27 843 thousand (31 December 2019: BYN 34 888 thousand) and served as collateral for the loan (Note 8).

Term deposits include deposits of individuals in the amount of BYN 148 772 thousand (2019: BYN 216 384 thousand).

Due to customers include the accounts of the following categories of clients:

	31 December 2020	31 December 2019
Private companies	647 939	433 185
Individuals	307 267	396 751
State organizations	32 146	12 980
Due to customers	**987 352**	**842 916**

Breakdown of customer accounts by economic sectors is as follows:

	31 December 2020	31 December 2019
Individuals	307 267	396 751
Trade	257 369	137 700
Real estate	109 230	25 988
Manufacturing	77 095	73 075
Research and development	46 566	19 946
Construction	27 177	33 239
Software development and information technologies	25 934	25 694
Vehicles	25 380	38 576
Individual entrepreneurs	18 910	23 923
Financial services	10 017	8 350
Other	82 407	59 674
Due to customers	**987 352**	**842 916**

(in thousands of Belarusian Rubles)

16. Debt securities issued

Debt securities issued are primarily placed through non-public sales and comprise the following:

	31 December 2020	Maturity	Effective interest rate	31 December 2019	Maturity date	Effective interest rate
Interest-bearing bonds in BYN	73 747	2021-2025	9,95-19,81%	77 409	2020-2022	8,51-13,08%
Interest-bearing bonds in USD	3 315	2021	1,03-2,33%	6 051	2020	1,01-1,81%
Interest-bearing bonds in EUR	1 591	2021	1,83-3,15%	-	-	-
Debt securities issued	**78 653**			**83 460**		

Interest bonds in Belarusian Rubles include securities issues in 2017-2020.

As at 31 December 2020 and 31 December 2019, the Bank fully fulfilled obligations on securities issued in a timely manner.

17. Other borrowings

Other borrowings are presented as follows:

	Currency	Type of interest rate	Attraction year	Maturity year	31 December 2020	31 December 2019
Creditor 1	BYN	Fixed	2019-2020	2021-2022	20 672	40 928
Other borrowings					**20 672**	**40 928**

The Bank raised borrowings from an International financial institution. As at 31 December 2020 and 2019, the Bank complied with the financial terms and conditions specified in the agreement.

(in thousands of Belarusian Rubles)

18. Subordinated debt

Subordinated debt comprises the following:

	Attraction date	Maturity	Interest rate	31 December 2020	31 December 2019
Subordinated loan 1 in USD	2010	2028	6,0%	11 863	9 677
Subordinated loan 2 in USD	2010	2028	6,0%	12 314	10 045
Subordinated loan 3 in BYN	2014	2023	5,0%	262	241
Subordinated loan 4 in BYN	2014	2023	5,0%	607	551
Subordinated loan 5 in USD	2015	2030	4,3%	5 158	4 207
Subordinated loan 6 in USD	2015	2025	6,0%	2 579	2 104
Subordinated debt				**32 783**	**26 825**

As at 31 December 2020 and 2019, the Bank timely and fully fulfilled its obligations on subordinated debt.

19. Share capital

As of 31 December 2020 and 31 December 2019, the authorized, issued and paid share capital of the Bank amounted to 168 200 ordinary shares with a par value of BYN 390,00 each. All shares have the same par value and carry one vote.

In 2020, there were no movements in authorized, issued and fully paid-in shares, the capital structure is presented below. During 2019, share capital increased: par value of shares increased from BYN 87 to BYN 390 due to the Bank's equity (retained earnings), and 26 752 additional shares were issued, for payment of which funds from the long-term subordinated loan of ALC Belneftegaz were used. The Bank did not repurchase its own shares.

	Number of ordinary shares	Par value of ordinary shares	Adjustment for inflation	Total
As at 31 December 2020	168 200	65 598	44 828	**110 426**
As at 31 December 2019	168 200	65 598	44 828	**110 426**

In 2020 and 2019, accumulated earnings were not distributed as dividends.

In accordance with Belarusian legislation, only accumulated retained and unreserved earnings may be distributed between the Bank's shareholders as dividends according to the Bank's financial statements prepared in accordance with the legislation of the Republic of Belarus. The Bank had retained and unreserved earnings amounted to BYN 67 332 thousand as at 31 December 2020 in accordance with the legislation of the Republic of Belarus (2019: BYN 67 123 thousand).

20. Contractual and contingent liabilities

Legal issues

In the ordinary course of business, the Bank is subject to legal actions and claims. Management believes that contingent liabilities, if any, arising from such actions or complaints will not have a material adverse impact on the financial position or the results of the Bank's future operations.

Taxation

The taxation system in the Republic of Belarus is characterized by complexity and frequent changes in legislation, official pronouncements and authorities' decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. In addition, there is no extensive court practice in the Republic of Belarus on tax issues.

Taxes are subject to review and investigation by a number of regulatory authorities, which are entitled to impose severe fines and penalties. A tax year remains open for review by tax authorities during five subsequent calendar years, in some cases, this period can be unlimited.

Tax, currency and customs legislation of the Republic of Belarus is subject to frequent changes and varying interpretations. Management's interpretation of such legislation regarding the Bank transactions and operations may be challenged by the relevant authorities. As a result, significant additional taxes, penalties and fines may be assessed. Tax reviews can cover significant time periods.

The management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs issues will be sustained.

Insurance

The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions. Currently public liability insurance is not available in the Republic of Belarus. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have an adverse effect on the Bank's operations and financial position.

(in thousands of Belarusian Rubles)

21. Credit related commitments

As at 31 December 2020 and 2019 the Bank’s contractual and contingent liabilities comprised:

	31 December 2020	31 December 2019
Credit related liabilities		
Loan commitments	822 409	798 849
Guarantees	44 968	43 191
Letters of credit	3 983	19 109
	871 360	**861 149**
Cash held as security under letters of credit (Note 15)	(2 944)	(5 590)
Allowances for expected credit losses	(30)	(279)
Commitments and contingencies less collateral under letters of credit	**868 416**	**855 559**

In accordance with the Bank’s adopted accounting policies (Note 3), loss allowance on certain loan commitments, such as credit cards, overdrafts, are included in the loss allowance on loans to customers (Note 8), since the Bank can not determine the expected credit losses on an uncalled component of loan commitments separately from those related to loans already issued within the loan commitments. According to the loan agreements, the Bank retains the right to unilaterally withdraw from its loan commitments.

The movement of loss allowance on financial guarantees and unsecured letters of credit is set in the table below:

	Stage 1	Stage 2	Stage 3	Total 2020
Loss allowance as at 1 January	**277**	**-**	**2**	**279**
Transfer into Stage 2	(2)	4	(2)	-
Net change in loss allowance	(172)	2	-	(170)
New financial assets originated or purchased	11	-	-	11
Derecognition	(89)	(1)	-	(90)
Allowance as at 31 December	**25**	**5**	**-**	**30**

(in thousands of Belarusian Rubles)

The movement of loss allowance on financial guarantees and unsecured letters of credit for 2019 is set in the table below:

	Stage 1	Stage 2	Stage 3	Total 2019
Allowance as at 1 January	**662**	**10**	**4**	**676**
Transfer into Stage 2	-	3	(3)	-
Net change in loss allowance	59	(3)	1	57
New financial assets originated or purchased	59	-	-	59
Derecognition	(503)	(10)	-	(513)
Allowance as at 31 December	**277**	**-**	**2**	**279**

22. Net gain from foreign currency transactions

	Total 2020	Total 2019
Trade operations	16 710	17 850
Revaluation of currency accounts	8 093	476
Income (expenses) on derivative financial instruments transactions	(232)	(89)
Net gain from foreign currency transactions	**24 571**	**18 237**

23. Net commission income

	Total 2020	Total 2019
Commissions on transactions with payment cards	67 524	60 770
Settlement and cash services	19 118	17 468
Documentary operations	1 506	1 305
Securities	134	168
Other	4 705	2 569
Commission income	**92 987**	**82 280**
Commissions on transactions with payment cards	(42 201)	(34 507)
Transactions with banks	(5 798)	(4 961)
Documentary operations	(853)	(297)
Foreign exchange transactions	(561)	(328)
Securities	(138)	(163)
Other	(984)	(1 091)
Commission expenses	**(50 535)**	**(41 347)**
Net commission income	**42 452**	**40 933**

The aforementioned fee and commission income represents revenue from contracts with customers in the scope of IFRS 15, detailed by main types of fee and commission income.

(in thousands of Belarusian Rubles)

Commission income includes income in the amount of BYN 69 164 thousand (2019: BYN 62 273 thousand) and expenses in the amount of BYN 43 192 thousand (2019: BYN 34 967 thousand) related to financial assets and financial liabilities other than measured at fair value through profit or loss. These amounts exclude amounts taken into account when determining the effective interest rate on such financial assets and financial liabilities.

Contractual assets and liabilities

The following table shows information on receivables and liabilities on contracts with customers.

BYN thousand	31 December 2020	31 December 2019
Contract assets included in "other assets"	3 181	2 070
Receivables included in "other assets"	1 090	1 514
Contract liabilities, which are included in the "other liabilities"	(2 477)	(2 911)

Contract assets are represented mainly by debt on settlements for capital investments, as well as on settlements with suppliers and contractors. Contract obligations mainly relate to non-refundable amounts of prepaid fees received from customers for annual card services (Note 13). Revenue recognition is carried out throughout the year during which the customer is expected to continue to use plastic cards.

Performance obligations and revenue recognition policy

Commission income on contracts with customers is estimated based on the compensation specified in the contract. The Bank recognizes revenue when it transfers control over the service to the customer.

The following table contains information on the nature and timing of the obligations to be fulfilled under contracts with customers, including significant payment terms and the relevant accounting policies for revenue recognition.

Type of services	The nature and timing of the performance of obligations to the execution, including the essential terms of payment	Revenue recognition in accordance with IFRS 15
Retail and Corporate Banking Services	The Bank provides banking services to retail and corporate clients, including services for the maintenance of accounts, the provision of overdrafts, foreign currency transactions, the processing and issuance of credit cards and the maintenance of accounts. The commission for servicing accounts is charged by debiting the corresponding amounts from the client's account on a monthly basis. The Bank sets tariffs separately for retail and corporate banking customers on an annual basis. The commission for currency exchange operations, foreign currency transactions and the provision of overdrafts is charged by debiting the corresponding amounts from the client's account at the time of the transaction. The commission for current maintenance is charged monthly based on fixed rates, which are annually reviewed by the Bank.	The commission for servicing accounts is recognized over time as the services are rendered. Remuneration for the operation is recognized at the time of the transaction.
Investment Banking Services	The Bank provides services related to the implementation of client operations with currency and the underwriting of securities. Remuneration for transactions and underwriting of securities is charged at the time of the transaction.	Due to customers as at 31 December are recognized as trade receivables. Remuneration for transactions is recognized at the time of the relevant transactions.

(in thousands of Belarusian Rubles)

24. Other income

	Total 2020	Total 2019
Proceeds from debts previously written off	6 799	11 445
Net income on operations with non-deliverable OTC financial instruments	859	-
Fines and penalties received	988	1 138
Net (expense)/income from sale of property and equipment, intangible assets	128	(2 935)
Other	1 954	822
Total other income	**10 728**	**10 470**

25. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	Total 2020	Total 2019
Payroll and bonuses	(34 495)	(32 628)
Social security contributions	(11 292)	(10 623)
Remuneration to the members of Supervisory Board	(745)	(554)
Other personnel expenses	(707)	(983)
Personnel expenses	**(47 239)**	**(44 788)**
Expenses on maintenance of banking software	(10 888)	(8 926)
Marketing and advertising	(7 199)	(8 738)
Telecommunication services	(3 419)	(3 481)
Utilities	(2 314)	(2 281)
Payments to the Deposit Insurance Agency	(2 067)	(2 297)
Mail and courier expenses	(2 053)	(1 492)
Lease payments	(977)	(326)
Professional services	(947)	(797)
Taxes, other than income tax	(888)	(1 038)
Expenses on Bank plastic cards	(837)	(862)
Repair and maintenance of vehicles and fuel expenses	(672)	(732)
Security expenses	(666)	(682)
Stationery and other office expenses	(602)	(575)
Repair and maintenance of property and equipment	(388)	(491)
Entertainment expenses	(206)	(490)
Other expenses	(3 193)	(3 097)
Other operating expenses	**(37 316)**	**(36 305)**

For the year ended 31 December 2020, the Bank recognized the following short-term lease expenses of BYN 977 thousand (2019: BYN 326 thousand).

26. Risk Management

Introduction

The Bank identifies the main risks arising in the course of its activities, the sources of their occurrence and manages these risks, taking into account their materiality.
Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, assessment and monitoring and setting risk limits and other internal controls.

Risk management structure

The risk management system has a four level organizational structure, which includes:

Level 1 – the Bank's collegial management bodies;
Level 2 – risk management officer;
Level 3 – the Bank's risk management and analytical divisions;
Level 4 – other Bank's divisions (except for the analytical ones).

Supervisory Board

The Supervisory Board of the Bank ensures the organization of the risk management system, excludes conflicts of interest and conditions of its occurrence in the process of risk management, approves local legal acts defining the risk management strategy of the Bank, tolerance, risk appetite and a system of key indicators for the risks inherent in the Bank.

Risk Committee

The Risk Committee's functions include internal monitoring of the implementation of the Supervisory Board strategy and decisions on the risk profile and risk tolerance of the Bank; decision-making regarding risks within the authority defined by the Supervisory Board; risk management system effectiveness assessment on a consolidated basis; regular reporting and submission to the Supervisory Board on the state of the risk management system and on the level of the Bank's risks, reflecting its risk profile and compliance of the risk level with the established requirements for tolerance.

Audit Committee

The functions of the Audit Committee include general management and support of the internal control system and the Internal Audit Department, assessment of the internal control system effectiveness, selection and organization of the necessary interaction with an external independent auditor, regular submission of management reports to the Supervisory Board on the state of the internal control system and the activities of the Internal Audit Department.

Management Board

Ensures effective risk management system operating in the Bank in accordance with the regulation of the National Bank on organization of the risk management system in banks and the risk management strategy of the Bank approved by the Supervisory Board.

Financial Committee

The main functions are:

- Operational management of the Bank's financial assets and liabilities;
- Decision-making on issues related to management of the Bank’s liquidity risk, bank portfolio interest risk, market risks, country risk, risk of financial sustainability, credit risk and concentration risk (regarding transactions with banks, other financial institutions, insurance companies);
- Maximization of the Bank’s profitability taking into account risks;
- Development of relevant assumptions and initiating issues to be considered by the Management Board.

Credit Committee

The Credit Committee is responsible for making optimal decisions related to the Bank’s active transactions under its authority.

Risk management (RM)

The main responsibilities of RM are:

- Management of the set of financial and non-financial risks inherent in the Bank;
- Developing and ensuring effective risk management system operation, increasing the stability and effectiveness of the Bank's operations;
- Organization of the process for keeping the risks of the Bank's activities at the established level (within the limits of tolerance and risk appetite approved by the Bank's Supervisory Board);
- Promotion of the development of a risk culture in the Bank.

Credit risk management (CRM)

The main responsibilities of CRM are:

- Monitoring and managing the quality of the corporate and retail loan portfolio in order to maintain safe and acceptable level of credit risk, ensuring maximum profitability for the Bank;
- Providing the Bank's management and shareholders with the necessary analytical and statistical data on the risk profile of the corporate and retail loan portfolio of the Bank;
- Implementing the methodological support of the system for assessing the creditworthiness of legal entities, individual entrepreneurs and individuals

Financial and economic department (FED)

FED is responsible for:

- Analysis and planning of the Bank's activities, organization of the process of strategic planning and budgeting in the Bank;
- Financial control of the Bank's activities in accordance with the Regulations for the management of operating expenses and investments in property and equipment and intangible assets;
- Preparation of management reporting in accordance with the Regulation on Management Accounting;
- Optimization of the Bank's activities within the limits imposed by the implementation of prudential regulatory requirements established by the National Bank of the Republic of Belarus, preparation and submission of prudential reporting to the National Bank of the Republic of Belarus;
- Preparation of financial statements in accordance with international financial reporting standards (IFRS), compliance with the requirements established by the contracts with financial institutions, provision of information at the request of financial institutions;
- Organization and coordination on the issues of attracting and processing subordinated transactions in compliance with the requirements of the legislation when concluding contracts for subordinated loans;
- Implementation of preliminary, current and subsequent control in accordance with the established procedure, including the conduct of scheduled follow-up inspections in accordance with the approved plans, current legislation and the Bank's local legal acts.

Internal Audit Department

- Assesses in the course of revisions the effectiveness of the internal control system, including the revision of internal control procedures by line of business; the effectiveness of the risk management system, including the revision of the application completeness and correctness of the methodology for assessing banking risks, banking risk management procedures;
- Identifies a conflict of interests in the Bank, the spheres and conditions of its occurrence and assesses the effectiveness of the measures taken by the Bank to eliminate them;
- Checks the effectiveness of the measures taken to correct the identified violations and deficiencies in the Bank's activities, including in the organization of areas of activity, internal control and risk management, and the implementation of recommendations for their improvement;
- Makes its proposals to improve the efficiency of the Bank activity, including internal control, risk management.

Other business units

- Participate in the planning and maintain the planned and controlled indicators (indicators of volume, price, structure, risk limits);
- Make management decisions within the framework of the authorities granted.

System of risk evaluation and communication

The Bank's risk management is based on requirements of the National Bank of the Republic of Belarus and the Basel Committee on Banking Supervision.

The Bank developed a hierarchical system of local legal acts, including high-level documents – Risk Management Strategy and Risk Management Policies, as well as local legal acts in regard to managing certain types of risks and those managing the organizational structure and distribution of the employees' authorities by risk management. The abovementioned local legal acts define risk management goals, objectives, principles, identify key risk indicators, the Bank's tolerance to inherent risks, risks identification, monitoring, controlling and limiting, the functions of business units, the authorities of the Bank's employees to manage the risks inherent in the Bank.

The Bank identifies the following risks as significant at this development stage and within the current economic environment:

- Strategic risk;
- Credit risk (including country risk within the framework of transactions with counterparty banks);
- Liquidity risk;
- Operational risk;
- Reputation risk;
- Market risk (as part of currency and commodity risk);
- Interest rate risk of the banking portfolio;
- Concentration risk;
- Financial sustainability risk.

These types of risks have a permanent nature, significant share in the Bank's risk profile and represent a threat to the implementation of the profit plan. The Bank's risk management policy is presented below.

Strategic risk - the probability of losses, loss of planned revenues due to errors (weaknesses) made when making decisions that define the strategy of activities and development of the Bank (strategic management) and which coming to neglect or insufficient accounting of possible dangers that may threaten the Bank activities, incorrect or insufficiently reasonable definition of perspective directions of activities in which the Bank may achieve competitive advantages, absence or incomplete provision of the required resources (financial, material and technical, human) and organizational measures (management decisions), which should ensure the achievement of the objectives of the Bank.

The main rules for risk management are monitoring of the fulfillment of the main parameters and goals determined by the Strategic Plan (Strategy) of the Bank's development, factor analysis of the implementation of the strategic plan, analysis of the macroeconomic conditions of the Bank's activities, adjustment of the strategic plan if objectively necessary, or even change of the goals and directions of the Bank's strategic development.

Risk prevention measures include adherence to a given tolerance for strategic risk and other risks inherent in the Bank's activities, the development of a risk management system, and the availability of strategic projects aimed at developing the Bank's business and its infrastructure.

Measures to recover from losses may include correction of the Bank's activities based on the results of the analysis of macroeconomic conditions of the Bank, factor analysis of the strategic plan implementation, the use of measures that stimulate the implementation of the planned budget indicators, the strategic plan, strategic projects.

Financial sustainability risk – the risk of a lack of adequacy of regulatory capital to cover the main types of risks assumed by the Bank.

The main and only rule for managing this type of risk is to limit the risk appetite, i.e. the degree of risk that the Bank considers acceptable when achieving its goals.

Risk prevention measures are taken based on the results of prospective factor analysis (forecast, stress testing) of changes in the level of regulatory capital adequacy. These measures may include the reduction of the rate of the asset growth exposed to credit risk, the loan portfolio, management of the portfolio of the assets that form an increased level of requirements for the level of required capital, reduction of the magnitude of market risks, improvement of the quality of the loan portfolio, replenishment of the Bank's share capital.
Measures to correct the adequacy of regulatory capital are determined based on the results of retrospective factor analysis of changes in its level. These measures may represent a change in the size and/or structure of the loan portfolio, the magnitude of market risks, a change in the parameters of the assets to exclude increased requirements for the level of required capital (including, for example, a decrease in interest rates on previously issued loans (with an excess of the rate of the level of the calculated value of the standard risk to a level not exceeding calculated value of the standard risk), collection of problem debts, changes in the share or regulatory capital of the Bank.

Credit risk – the risk of the Bank's losses, non-receipt of planned income due to non-performance, delayed or incomplete performance of the debtor's financial and other property obligations to the Bank in accordance with the terms of the contract or the legislation.

Main rules of risk management:

- In case of secured lending, the financial reliability of the client is assessed by the degree of its creditworthiness;
- In case of unsecured lending, the financial reliability of the client is assessed by the degree of its solvency;
- The larger the loan, the stricter the requirements for the financial reliability of the borrower;
- The reliability of investment in large loan transactions is evaluated on an individual basis according to the conclusion of underwriter on the financial reliability of the client, massive and small types of loan transactions are assessed based on the results of scoring of the creditworthiness of the borrower or in accordance with a fully formalized rules of borrower's creditworthiness analysis and making decisions on financing (product delivery) within the certain banking products;
- The project on issue of foreign currency loan to a corporate client is obligatory subject to stress testing of currency risk;
- Changes in the Bank's Credit Policy in the field of lending to corporate clients, local legal acts, regulating the categorization of debtors, maintenance of the groups of related debtors are introduced after preliminary consideration of their revision by the Risk Committee of the Bank's Supervisory Board;
- Changes in the approaches, algorithms and methods used by the Bank for assessing the financial position, solvency of borrowers - corporate clients, vulnerability to the factor of currency risk, approaches to assessing and monitoring collateral are carried out with their preliminary consideration by the Risk Committee of the Bank's Supervisory Board;
- Changes in the approaches, algorithms and methods used by the Bank for assessing the financial position, solvency of borrowers - individuals require the obligatory approval of the official responsible for the risk management in the Bank (they cannot be carried out due to the absence of such approval).

Preventive measures include:

- Management of limit restrictions of the Bank's Credit Policy within the annual validation process taking into account the Bank's Development Strategy, identified and expected risks;
- Definition of standard requirements to the borrowers' financial reliability and, if necessary, tightening them;
- Credit risk management through a system of risk requirements formalized within certain banking products;
- Price management;
- Testing of new loan products in small volumes;
- Determination of credit policies based on ratings of financial reliability and efficiency of borrowers;
- Taking preventive measures to prevent the occurrence of bad debts.

Potential measures to recover losses, including:

- Debt restructuring;
- Definition of standard requirements to fulfilment of obligations on loan transactions and, if necessary, tightening them;
- Pre-trial and judicial debt repayment;
- Sale of claims to debtors.

Liquidity risk is the risk that the Bank will incur losses or will not receive the expected income due to inability to meet its obligations in full when they fall due. Liquidity risk results from a mismatch of the Bank's financial assets and liabilities (including due to late fulfillment of financial obligations by one or several of the counterparties) and (or) due to an unforeseen necessity for the Bank to fulfill its financial liabilities immediately or simultaneously.

Main rules of risk management:

- Pursuing of liquidity accumulation strategy;
- Division of liquid assets into liquid assets of the first and the second stages. Determining the necessary sufficiency of liquid assets at the Bank's operation routinely (liquidity of the first stage) and emergently (liquidity of the first and the second stage). Assessment of the actual adequacy of liquidity;
- Division of the Bank's liquidity management into operational management and strategic management. Operational management is a set of rules and regulations that ensure sufficient liquidity for the short-term period (as a rule, over a horizon of up to 3 months), which should be linked to the strategic decisions taken on liquidity management. Strategic management is a set of rules and regulations that ensure sufficient liquidity for the long-term period;
- Organizational separation of operational and strategic liquidity management;
- Implementation of the system of limits aimed at ensuring strategic liquidity and maintaining a balance between the formed/planned loan portfolios and the resource base, taking into account their urgency based on the analysis of gaps (GAP) between requirements and liabilities, grouped by temporary buckets of return/repayment.

Preventive measures include:

- Accumulation and maintenance of liquid assets at the required level;
- Management of the risk of loss of business reputation (formation of the Bank image with high financial reliability, capable of providing quality services, generate exclusive and marketable products);
- Formation of loan portfolios in proportion to the dynamics of changes in the resource base and its state (for example, restriction of the growth rate of loan portfolios to the level not outstripping the growth of the resource base);
- Ensuring an adequate structure and diversification of funding sources.

Measures to recover the necessary liquidity sufficiency in case of its loss are determined in accordance with the effective action plan established by the local legal acts to recover liquidity and overcome the crisis.

Interest rate risk of the banking portfolio is the risk that the Bank will incur losses and fail to receive the expected income from changes in value of on and off-balance items not included in the trading portfolio as a result of changes in market interest rates.

The main rule of risk management is to optimize the ratio of assets and liabilities by term and amount taking into account their sensitivity to the changes in interest rates. The consequence of this rule is the possibility of increasing the interest rate risk in order to reduce the liquidity risk and vice versa, reducing the excess liquidity (increasing the liquidity risk) in order to reduce the interest rate risk.

Preventative measures include:

- Management of interest gap-positions;
- Implementation of the system of limit restrictions;
- Development of a model for assessing the economic value of a bank (EVE), including for the purpose of calculating net interest income (NII) in accordance with the Basel Standard *Interest Rate Risk of a Banking Portfolio* (IRRBB);
- Stimulation of desired changes in the asset portfolio, resource base through the transfer pricing system;
- Formation of loan and deposit agreements with conditions stipulating partial or full redistribution of risk to counterparties and clients;
- Forecasting changes in interest rates on the market and that allow the Bank to adapt with the least loss to changing conditions of its activities.

Control measures (recovering measures) of the risk at an acceptable level is the correction of the limit policy for its management, correction of price policy, improvement of analysis models.

Operational risk – the risk of losses and (or) additional costs incurred by the Bank, non-receipt of planned income as a result of non-compliance of the Bank's established procedures and procedures for banking transactions and other transactions within the legislation or violation by the Bank's employees, incompetence or mistakes of the Bank's employees, non-compliance or failure of the systems used by the Bank, including informational systems, as well as a result of external factors.

The main risk management rules are to ensure the efficient operation of the system for identification and recognition of operational incidents, prevention/minimization of losses and/or facts of shortfall in planned income, reduction of other development indicators due to the implementation of operational incidents, maintaining the risk accepted by the Bank at the level of tolerance and risk-appetite indicators established by the Supervisory Board.

Measures to prevent operational risk in the context of the main sources of its formation will be:

- Timely update of software, information technical means, recruitment of highly qualified specialists;
- Testing of the systems during the introduction of new products of the Bank;
- Creation of backup communication lines and other necessary backup systems; provision of autonomous power supplies;
- Implementation of adequate personnel policies (recruitment, adaptation and training of personnel, motivation for effective work, formation of personnel reserve, retention of key personnel);
- Improvement of the fraud-scoring system;
- Ensuring the effectiveness of the risk management system, taking into account the characteristics of risk sources;
- Determination of priority information technologies (IT) and their introduction into the strategic supervision process;
- Formalization of methods for selecting and controlling the introduction of IT tools and their systems (CRM,ERP,RPA, Core System and other) into the Bank's business processes;
- Ensuring cyber resilience and cyber security, defining and consolidating in the Strategy critical information infrastructure objects, typical for the Bank cyber threats, the current state of cyber security in the Bank and the ability to counter cyber threats, as well as measures to overcome existing deficiencies and ways to improve cyber risk management;
- Development and control of the implementation by the Bank's management of measures to develop the competencies and skills of personnel, taking into account the ongoing changes (for example, in the context of changes in the IT landscape, tasks for digital transformation - development and implementation of a plan to increase the Digital IQ of the Bank's employees);
- Regulation of the processes of working with information resources (IR) taking into account risks (for example: establishing a reasonable balance between openness and security of the information system, based on risk assessment; implementation of a classification of the Bank's information resources with an assessment with the help of the rating of such systems by the level of risks magnitude that the Bank faces leakage of information from these systems; development and implementation of regulations for working with information for each IR group);

- Formation of an integral system for the implementation of systematic monitoring and independent control of the established limits and powers for their compliance with the possible coverage of all operations carried out in the course of banking activities associated with the manifestation of risks, including operational ones;
- Creation of an effective organizational structure of the Bank;
- Regulation of operations;
- Development of standard forms of contracts;
- Improvement of processes, systems, technologies, procedures, regulations, and so on;
- Availability and keeping up to date of the Bank's action plans in case of unforeseen situations, in order to ensure the implementation of going concern;
- Development of the systems for automating banking operations, including automating the execution of the same type repetitive actions and information security systems;
- Reduction of the financial impact of operational risk through insurance;
- Refusal from the type of activity (individual operations or transactions) subject to operational risk;
- Reduction of the level of certain types of operational risk by transferring risk or a part of it to third parties (outsourcing);
- Control and audit;
- Development of the motivation of the Bank's employees;
- Increase of the knowledge of the employees in areas of activity, including in the field of increasing the risk culture;
- Learning by all employees of the Bank the fundamentals and principles of ensuring the information security of the Bank, including in terms of cyber risk, increase of the knowledge level.

Measures for recovering losses from the implementation of operational incidents are determined individually in each specific case, depending on the sources of operational risk and the business process where they were implemented.

Reputational risk – the risk of the Bank's losses, non-receipt of planned income as a result of narrowing the customer base, reducing of other development indicators due to the formation of a negative image in the company of the financial reliability of the Bank, the quality of services provided or the nature of activities in general.

Key risk management rules are to ensure the financial reliability of the Bank, the quality of services at a level not less than the main competitors’ level, systematic work to improve it.

Preventive measures include:

- Absolute ensuring the financial reliability of the Bank;
- Ansuring the proper quality of services provided;
- Ansuring transparency of the Bank's activities;
- Ansuring information security of the Bank;
- Compliance with the legislation of the Republic of Belarus on the prevention of legalization of income from crime, financing of terrorist activities and financing the proliferation of weapons of mass destruction (assessment of the risk of working with clients in the process of financial monitoring), effective management of compliance risk in accordance with the rules established by the Bank's local legal acts;
- Customer service in accordance with service standards;
- Interaction with the media through:
  - Speech by the Bank's management and its representatives;
  - Periodic publications of financial statements, information about the Bank, its products and services;
  - Support of the Bank's website as a source of up-to-date and accurate information about the Bank and its activities;
  - Advertising campaigns and events;
  - Charitable, social actions, campaigns, programs;
  - Positive content in the media about the Bank's activities.

Measures to recover losses as the result of reputational risk are actions aimed at recovering of the Bank's financial sustainability and reliability, correction of errors and deficiencies in customer service, publication of retractions in cases of "black" PR and appeal to the court.

Currency risk is the risk of the Bank's losses, non-receipt of the planned income from changes in the value of balance sheet and off-balance sheet items denominated in foreign currency due to changes in foreign exchange rates. Currency risk also affects the Bank's positions in precious metals in the form of bank bars, weighted bars and coins, revalued as book prices change in accordance with the Bank's applicable accounting policy.

The basic rule of risk management is the constant maintenance of a currency position in accordance with indicators of tolerance.

Preventive measures include:

- Managing the open economic currency position size;
- Maintaining an open long currency position to hedge currency risk associated with the necessity to regulate the volume of special reserves created by Belarusian rubles on foreign exchange assets (off-balance) when changing exchange rates;
- Taking into account the possibilities of risks fair distribution between the Bank and counterparties when completing loan and deposit agreements;
- Mandatory stress-testing of the financial reliability of customers considered for purposes or conducting operations with the Bank related to credit risk in foreign currency.

Measures to regulate (recover) the risk at an acceptable level are adjustment of risk limit policy, the improvement of analysis models.

Commodity risk – the probability of the Bank's losses incurring due to non-receipt of the planned income from changes in cost of goods.

Key risk management rules are:

- Avoiding risk as much as possible;
- Monitoring and forecasting of market conditions in the context of commodity items in the Bank's portfolio.

Preventive measures include:

- Modeling and assessing possible losses due to changes in the market price and the cost of owning positions in the product portfolio;
- Risk limits management;
- Development of risk management methodology through the "product life cycle", starting with integration into the processes of accepting collateral and releasing own property and equipment, and ending with the sale of goods;
- Requirements toughening to the financial reliability of the borrowers, the quality of the security of loan transaction.

Control measures (recovering measures) are determined in accordance with the strategy of immediate sale or retention until the realization of a certain event adopted in relation to particular commodity item.

Concentration risk – the risk losses incurring due to non-receipt of the planned income as a result of concentration of certain types of risks.

The main and only rule for managing this type of risk is to limit the risk appetite, i.e. the degree of risk that the Bank considers acceptable when achieving its goals.

Preventive measures include:

- Counterparties and transactions diversification;
- Risk limits management;
- Formation of loan and deposit agreements with conditions stipulating partial or full redistribution of risk to counterparties and clients;
- Requirements toughening for the financial reliability of borrowers, the degree of security of the credit transaction, requirements toughening for deposit contracts of large depositors;
- Improvement of system to prevent fraudulent transactions.

Control measures (remediation measures) are as follows:

- Debt restructuring;
- Sale of collateral on loan transactions;
- Pre-trial and judicial debt repayment.

Measures to restore the necessary liquidity adequacy, in the event of its loss due to the realization of the concentration risk, are determined in accordance with the existing action plan for restoring liquidity and overcoming the crisis situation. Measures to restore the necessary operability of IT systems, in the event of its loss, are determined in accordance with the existing action plan to ensure the going concern and restore the Bank's operability as a participant of the payment system.

Adoption of IFRS 9: Credit risk. ECL model and the main principles of provisioning

The Bank applies the model of expected credit losses for the purpose of financial instruments provisioning, the key principle of which is the timely reflection of deterioration or enhancement of the credit quality of financial instruments, taking into account current and forward-looking information. The amount of expected credit losses recognized as an estimated allowance for impairment depends on the degree of deterioration of credit quality since the initial recognition of a financial instrument.

Depending on the change in credit quality since initial recognition, the Bank classifies financial instruments to one of the following stages:

- “12-month ECL” (Stage 1) - financial instruments for which no significant increase in credit risk was observed, and for which 12-month expected credit losses are calculated.
- “Lifetime ECL – not credit-impaired assets” (Stage 2) –financial instruments with a significant increase in credit risk, but not credit-impaired, for which expected credit losses are calculated over the entire lifetime of the financial instrument.
- “Lifetime ECL – credit-impaired assets” (Stage 3) – credit-impaired financial instruments.

For purchased or issued impaired financial assets, the allowance for impairment is formed in the amount of accumulated changes in the value of expected credit losses over the entire life of the instrument from the moment of purchase or delivery.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit quality assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; and
- Remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in expectations regarding early repayment).

The Bank uses the following criteria to determine whether there is a significant increase in credit risk:

- For legal entities:
  - Financial assets for which there is a deterioration in more than 1 grade from the moment of initial recognition in accordance with the internal gradation of credit quality;
  - Financial assets with overdue debts from 31 to 90 days.
- For individuals:
  - Financial assets with overdue debts from 31 to 90 days.
- For financial institutions, government bodies:
  - Debt on counterparties, which international credit rating has decreased by 2 grades in comparison with the grade on the initial recognition (except when after decrease the debt is classified in Ca and lower grade by Moody's International rating agency (CC as per S&P; CCC as per Fitch) or in comparable categories based on an internal assessment;
  - Debt with more than 7 days overdue.

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Quality categories are determined for the following categories of borrowers:

- *Loans to corporate borrowers*

The Bank estimates the expected credit losses for corporate clients' debts by collective valuation based on the quality categories of credit debts, as well as by an individual assessment for the largest borrowers.

Collective valuation based on the quality categories of credit debt is based on an analysis of the quality of servicing the credit debt of debtors, as well as credit history and other information about the business of debtors, which is available without undue cost and effort.

The probability of default is determined using the chain ladder method, which calculates the expected level of losses for 32 quarters from the date of the loan (for each quarter of debt formation). The level of losses for each quarter is calculated as a weighted average over the last 3 years of debt formation.

The individual assessment is used for the largest clients of the Bank. The necessity for such an assessment is considered when the borrower has a debt at the reporting date in excess of 5% of the capital calculated in accordance with the provisions of the Basel Agreement of 1988.

For the clients assessed on an individual basis, the Bank assesses the PD indicator as the highest of the values between the probability of default by the borrower in the segment of the business in which it is located and the country risk inherent in the country of operation, determined based on the statistics of defaults of international rating agencies.

- Financial institutions and government bodies

For banks that have an international rating, the classification is carried out according to this rating. Ratings set using Moody's, S&P and Fitch methodology are taken into account. For counterparties for which no international rating has been established, the Bank conducts an internal gradation in terms of quality based on factors, taken into account by international rating agencies when determining ratings. Quality grades on financial institutions and government bodies are determined as follows:

- "Standard" group – international ratings from AAA to B- or comparable internal ones.
- "Sub-standard" group – international ratings from CCC+ and below or comparable internal ones.

For government agencies, quality categories are determined based on the sovereign rating set by international rating agencies.

Generating the term structure of PD

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. For some portfolios, information purchased from external credit reference agencies is also used.

The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

Determining whether credit risk has increased significantly

The Bank assesses whether credit risk has increased significantly since initial recognition at each reporting date. Determining whether an increase in credit risk is significant depends on the characteristics of the financial instrument and the type of borrower. What is considered significant differs for different types of lending, in particular between corporate and individual.

The Bank uses the following criteria to determine whether there is a significant increase in credit risk:

- For legal entities:
  - Financial assets for which there is a deterioration in more than 1 grade from the moment of initial recognition in accordance with the internal gradation of credit quality;
  - Financial assets with overdue debts from 31 to 90 days.
- For individuals:
  - Financial assets with overdue debts from 31 to 90 days.
- For financial institutions, government bodies:
  - Debt on counterparties, which international credit rating has decreased by 2 grades in comparison with the grade on the initial recognition (except when after decrease the debt is classified in Ca and lower grade by Moody's International rating agency (CC as per S&P; CCC as per Fitch) or in comparable categories based on an internal assessment;
  - Debt with more than 7 days overdue.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on an instrument returns to being measured as 12-month ECL.

The Bank monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- The criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- The criteria do not align with the point in time when an asset becomes 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired;
- There is no unwarranted volatility in loss allowance from transfers between 12-month PD (Stage 1 and lifetime PD (Stage 2).

Definition of default

The financial asset is classified by the Bank to financial assets for which an event of default had occurred, in the following cases:

- For corporate borrowers:
  - The borrower is classified as "loss" credit quality grade based on internal assessment of qualitative and quantitative parameters;
  - Alteration (modification) due to the financial difficulties of the client and the inability to service the contract in accordance with the original conditions;
  - A legal insolvency (bankruptcy) case is open against a legal entity;
  - There is an administrative intervention of the state, which significantly complicates further activities: depriving or not extending the license for certain types of activities and other interventions in regard to a legal entity;
  - Individual entrepreneur's debt, for which the debtor was arrested, died or disappeared without a trace;
  - Debtor's debt, due to force majeure that caused material damage, but did not cause the termination of its activities;
  - The debtor's debt in respect of which the interim manager was introduced (if there is a high probability ("yes rather than no") of the discovery of the liquidation proceedings against the debtor).
- For individuals:
  - Debt on loans with a duration of more than 90 days overdue, as well as involving objective reasons indicating that the loan cannot be repaid, for example, the borrower's death;
  - Alteration (modification) due to the financial difficulties of the client and the inability to service the contract in accordance with the original conditions.
- For financial institutions, government bodies:
  - Debt is classified in Ca and lower grade by Moody's International rating agency (CC as per S&P; CCC as per Fitch) or in comparable categories based on an internal assessment;
  - Debt with more than 30 days overdue.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Incorporation of forward-looking information

The Bank incorporates forward-looking information both to the assessment for a significant increase in credit risk since the initial recognition of the financial instrument and to the assessment of expected credit losses. The Bank uses three economic scenarios: the baseline scenario, the probability of which is 80%, and two less likely scenarios – the optimistic and worst-case scenarios, the probability of each of the scenarios is 10%. The baseline scenario is based on information used by the Bank in strategic planning and budgeting. External information taken into account includes economic data and forecasts published by government bodies and monetary authorities in countries in which the Bank operates, such as the National Bank of the Republic of Belarus, the National Statistical Committee, as well as other individual and scientific forecasts.

The Bank has identified and documented a list of the main factors affecting the assessment of credit risk and credit losses for each portfolio of financial instruments and, using historical data analysis, assessed the correlation between macroeconomic variables, credit risk and credit losses.

The level of real payroll is identified as a key factor.

The projected ratios between the key indicator and default and the levels of losses for various portfolios of financial assets were developed based on the analysis of historical data for the last 1-3 years.

The exposure is monitored on a regular basis to ensure that the credit limits and creditworthiness guidelines established by the Bank's risk management policy are not breached.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Note 3.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether there has been a significant increase in the financial asset's credit risk is made by comparing:

- The probability of default for the remainder of the entire period as at the reporting date based on the modified terms of the contract; and
- With the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximize collection opportunities and minimize the risk of default. Under the Bank's forbearance policy, loan forbearance is granted to each debtor if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD, ECL for exposures in Stage 2 – by multiplying marginal PD by LGD and EAD, stated for the first and each next period. As for Stage 3, the Bank estimates expected cash flows in order to determine the recoverable amount of the financial assets.

The methodology for estimating PD indicators for the clients, assessed on a group and individual basis, is described above in the section *Generating the term structure of PD*.

For the clients, assessed on a group basis the Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties and based on external information – in regard to financial institutions and government bodies.

In case of an individual assessment of expected credit losses to determine the LGD indicators, the Bank operates with pledge agreements concluded with borrowers and the ability of these agreements to cover the balance of debt under the loan agreement in the event of a borrower's default. The Bank uses a judgment in relation to the fair measurement of such pledge agreements and the timing of their realization.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees contracts and letters of credit, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of the loan or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Instrument type;
- Quality category (for legal entities);
- Product.

The Bank has a regular assessment to ensure that exposures within a particular Bank remain appropriately homogeneous.

For portfolios in respect of which the Bank has limited historical data, external benchmark information is used to supplement the internally available data. The portfolios for which external benchmark information represents a significant input into measurement of ECL are as follows:

		External benchmarks used	
	Credit risk exposure as at 31 December 2020	**PD indicator**	**LGD indicator**
Cash and cash equivalents	340 066	Moody's / S&P default study	Moody's recovery study
Due from banks	19 461	Moody's / S&P default study	Moody's recovery study
Securities	48 463	S&P default study	Moody's recovery study

(in thousands of Belarusian Rubles)

Credit quality analysis

The following tables provide information about the credit quality of financial assets measured at amortized cost, debt instruments measured at FVTOCI as at 31 December 2020 and 31 December 2019. Unless otherwise indicated, the amounts in the table recognize gross carrying amount of financial assets. According to loan commitments and financial guarantee contracts, the amounts in the table recognize the amounts of commitments made and guarantees issued, respectively.

		31 December 2020
	Stage 1	**Total**
Cash and cash equivalents		
From A- to A+	13 755	13 755
BBB	9 015	9 015
FromBB- to BB+	1 588	1 588
From below CCC to B+	20 045	20 045
Only with internal credit risk grades:		
Standard	177 966	177 966
Sub-standard	18 908	18 908
	241 277	**241 277**
Loss allowance	(80)	(80)
Carrying amount	**241 197**	**241 197**

		31 December 2019
	Stage 1	**Total**
Cash and cash equivalents		
BBB	30 086	30 086
From BB- to BB+	7 437	7 437
From below CCC to B+	15 436	15 436
Only with internal credit risk grades:		
Standard	106 162	106 162
Sub-standard	11 561	11 561
	170 682	**170 682**
Loss allowance	(87)	(87)
Carrying amount	**170 595**	**170 595**

(in thousands of Belarusian Rubles)

	31 December 2020		
	Stage 1	**Stage 2**	**Total**
Due from credit institutions			
From A- to A+	2 460	-	2 460
Only with internal credit risk grades:			
Standard	12 121	-	12 121
Sub-standard	4 468	412	4 880
	19 049	**412**	**19 461**
Loss allowance	(130)	(39)	(169)
Carrying amount	**18 919**	**373**	**19 292**

	31 December 2019		
	Stage 1	**Stage 2**	**Total**
Due from credit institutions			
From CCC to B+	3 627	-	**3 627**
Only with internal credit risk grades:			
Standard	8 456	-	**8 456**
Sub-standard	2 861	173	**3 034**
	14 944	**173**	**15 117**
Loss allowance	(103)	(16)	(119)
Carrying amount	**14 841**	**157**	**14 998**

(in thousands of Belarusian Rubles)

	31 December 2020	
	Stage 1	**Total**
Investment debt securities		
From CCC to B+	48 463	**48 463**
	48 463	**48 463**
Loss allowance	(670)	(670)
Carrying amount	**47 793**	**47 793**

	31 December 2019	
	Stage 1	**Total**
Investment debt securities		
From CCC to B+	96 785	**96 785**
Only with internal credit risk grades:		
Sub-standard	9 067	**9 067**
	105 852	**105 852**
Loss allowance	(1 377)	(1 377)
Carrying amount	**104 475**	**104 475**

	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Only with internal credit risk grades:				
Standard	219 231	-	-	219 231
Watch	397 275	-	-	397 275
Sub-standard	22 347	26 342	-	48 689
Non-performing	293	796	335	1 424
Loss	-	-	23 605	23 605
	639 146	**27 138**	**23 940**	**690 224**
Loss allowance	(10 676)	(768)	(10 936)	(22 380)
Carrying amount	**628 470**	**26 370**	**13 004**	**667 844**

(in thousands of Belarusian Rubles)

				31 December 2019
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Only with internal credit risk grades:				
Standard	367 753	-	-	**367 753**
Watch	115 391	-	-	**115 391**
Sub-standard	1 620	260	-	**1 880**
Non-performing	48	141	1 362	**1 551**
Loss	-	-	2 731	**2 731**
	484 812	**401**	**4 093**	**489 306**
Loss allowance	(5 925)	(48)	(1 666)	**(7 639)**
Carrying amount	**478 887**	**353**	**2 427**	**481 667**

				31 December 2020
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Net investment in finance lease				
Only with internal credit risk grades:				
Standard	18 502	-	-	18 502
Watch	29 936	-	-	29 936
Sub-standard	1 623	2 274	-	3 897
Non-performing	11	214	14	239
Loss	-	-	2 332	2 332
	50 072	**2 488**	**2 346**	**54 906**
Loss allowance	(270)	(111)	(1 066)	(1 447)
Carrying amount	**49 802**	**2 377**	**1 280**	**53 459**

(in thousands of Belarusian Rubles)

				31 December 2019
	Stage 1	Stage 2	Stage 3	Total
Net investment in finance lease				
Only with internal credit risk grades:				
Standard	48 584	-	-	**48 584**
Watch	2 215	-	-	**2 215**
Sub-standard	14	63	-	**77**
Non-performing	-	287	-	**287**
Loss	-	-	135	**135**
	50 813	**350**	**135**	**51 298**
Loss allowance	(559)	(77)	(69)	(705)
Carrying amount	**50 254**	**273**	**66**	**50 593**

			31 December 2020
	Stage 1	Stage 2	Total
Financial guarantees and letters of credit			
Only with internal credit risk grades:			
Standard	28 105	-	28 105
Watch	18 100	-	18 100
Sub-standard	2 638	93	2 731
Non-performing	-	15	15
Carrying amount	**48 843**	**108**	**48 951**

			31 December 2019
	Stage 1	Stage 2	Total
Financial guarantees and letters of credit			
Only with internal credit risk grades:			
Standard	54 255	-	**54 255**
Watch	8 028	-	**8 028**
Sub-standard	-	6	**6**
Non-performing	-	11	**11**
	62 283	**17**	**62 300**

(in thousands of Belarusian Rubles)

The following table provides information about the overdue loans to customers, in terms of credit quality stages.

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Undue	638 940	26 409	20 211	685 560
1-30 days	206	721	1 023	1 950
31-60 days	-	8	471	479
61-90 days	-	-	253	253
90+ days	-	-	1 982	1 982
Gross carrying amount	**639 146**	**27 138**	**23 940**	**690 224**

				31 December 2019
	Stage 1	Stage 2	Stage 3	Total
Loans to legal entities				
Undue	484 672	275	2 133	487 080
1-30 days	140	124	142	406
31-60 days	-	2	115	117
61-90 days	-	-	1 040	1 040
90+ days	-	-	663	663
Gross carrying amount	**484 812**	**401**	**4 093**	**489 306**

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Net investment in finance lease				
Undue	48 108	2 336	2 201	52 645
1-30 days	1 964	152	142	2 258
31-60 days	-	-	-	-
61-90 days	-	-	-	-
90+ days	-	-	3	3
Gross carrying amount	**50 072**	**2 488**	**2 346**	**54 906**

(in thousands of Belarusian Rubles)

				31 December 2019
	Stage 1	Stage 2	Stage 3	Total
Net investment in finance lease				
Undue	50 547	199	8	50 754
1-30 days	270	148	-	418
31-60 days	-	-	-	-
61-90 days	-	-	-	-
90+ days	-	-	126	126
Gross carrying amount	**50 817**	**347**	**134**	**51 298**

				31 December 2020
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Undue	427 706	-	3 596	431 302
1-30 days	7 699	-	410	8 109
31-60 days	-	1 872	67	1 939
61-90 days	-	1 260	71	1 331
90+ days	-	-	6 667	6 667
Gross carrying amount	**435 405**	**3 132**	**10 811**	**449 348**

				31 December 2019
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Undue	431 980	-	-	**431 980**
1-30 days	8 893	-	-	**8 893**
31-60 days	-	2 306	-	**2 306**
61-90 days	-	1 473	-	**1 473**
90+ days	-	-	4 560	**4 560**
Gross carrying amount	**440 873**	**3 779**	**4 560**	**449 212**

(in thousands of Belarusian Rubles)

	31 December 2020		
	Stage 1	**Stage 3**	**Total**
Other financial assets			
Undue	806	-	**806**
90+ days	-	284	**284**
Gross carrying amount	**806**	**284**	**1 090**

	31 December 2019		
	Stage 1	**Stage 3**	**Total**
Other financial assets			
Undue	957	-	**957**
90+ days	-	557	**557**
Gross carrying amount	**957**	**557**	**1 514**

Offsetting financial assets and financial liabilities

The disclosures in the tables below include financial assets and financial liabilities that are subject to a legally enforceable general netting agreement or similar agreements that relate to the same financial instruments, whatever they are offset or not in the balance sheet.

Similar financial instruments include repurchase transactions, agreements on securities lending and borrowing, loans to clients and due to customers.

The tables below present the financial liabilities that are the subject to legally enforceable general netting agreements and similar agreements as at 31 December 2020 and 31 December 2019.

(in thousands of Belarusian Rubles)

	31 December 2020				31 December 2019			
		Amounts that have not been offset in the statement of financial position				Amounts that have not been offset in the statement of financial position		
Types of financial assets/financial liabilities	**Full amounts of recognized financial assets/ (liabilities)**	**Financial instruments**	**Cash collateral received**	**Net amount**	**Full amounts of recognized financial assets / liabilities**	**Financial instruments**	**Cash collateral received**	**Net amount**
Loans to customers	655	-	(649)	6	28 881	-	(25 549)	3 332
Customer accounts	(44 129)	649	-	(43 480)	(56 826)	25 549	-	(31 277)

The following table details the geographical analysis of financial assets and liabilities of the Bank:

	31 December 2020				31 December 2019			
	Belarus	**OECD countries**	**CIS and other countries**	**Total**	**Belarus**	**OECD countries**	**CIS and other countries**	**Total**
Assets								
Cash and cash equivalents	315 467	20 649	3 870	**339 986**	188 670	47 068	3 545	**239 283**
Due from credit institutions	16 590	2 702	-	**19 292**	11 197	3 801	-	**14 998**
Derivative financial assets	38	9	3	**50**	51	9	27	**87**
Loans to customers	1 162 668	-	-	**1 162 668**	975 624	-	-	**975 624**
Investment securities	49 034	-	-	**49 034**	106 423	-	-	**106 423**
Other financial assets	886	-	-	**886**	1 240	-	-	**1 240**
	1 544 683	**23 360**	**3 873**	**1 571 916**	**1 283 205**	**50 878**	**3 572**	**1 337 655**
Liabilities								
Due to credit institutions	(94 119)	(35 368)	(2 247)	**(131 734)**	(19 001)	(22 731)	(14 066)	**(55 798)**
Derivative financial liabilities	(210)	(17)	(28)	**(255)**	(54)	(6)	-	**(60)**
Customer accounts	(960 369)	(8 132)	(18 851)	**(987 352)**	(840 223)	(232)	(2 461)	**(842 916)**
Debt securities issued	(78 653)	-	-	**(78 653)**	(83 460)	-	-	**(83 460)**
Other borrowings	-	(20 672)	-	**(20 672)**	-	(40 928)	-	**(40 928)**
Allowances for ECLs in respect of loan commitments and financial guarantee agreements	(30)	-	-	**(30)**	(279)	-	-	**(279)**
Other financial liabilities	(15 724)	-	-	**(15 724)**	(31 984)	-	-	**(31 984)**
Subordinated debt	(2 579)	-	(30 204)	**(32 783)**	(2 104)	-	(24 721)	**(26 825)**
	(1 151 684)	**(64 189)**	**(51 330)**	**(1 267 203)**	**(977 105)**	**(63 897)**	**(41 248)**	**(1 082 250)**
Net assets/(liabilities)	**392 999**	**(40 829)**	**(47 457)**	**304 713**	**306 100**	**(13 019)**	**(37 676)**	**255 405**

(in thousands of Belarusian Rubles)

The Bank's liquidity management strategy provides for classifying liquid assets as assets of first and second priority. Such classification of liquid assets results from understanding that the Bank might be forced to work in extreme conditions in the event of a shocking impact of one or more risk factors. The liquid assets of second priority are income-generating investments which, if necessary, may be quickly transformed to cash to ensure additional Bank liquidity. Thus, liquid assets of the second stage are a reserve of liquid assets.

The Bank owns investment securities which may be easily sold for cash in the event of an unforeseen interruption of cash flow. In addition, the Bank placed an obligatory deposit in the National Bank the amount of which depends on the level of customer funds attracted.

The Bank's liquidity position is also assessed in terms of fulfilment of liquidity ratios established by the National Bank of the Republic of Belarus.

Indicator name	Regulatory standard	31 December 2020
Liquidity ratio	Not less than 100% (At least 80% - until 30.06.2021)*	119,4%
Net standing funding ratio	Not less than 100%	132,0%

*In accordance with Resolution No. 298 *On certain issues of regulating the activities of banks in 2021* of the Board of the National Bank of the Republic of Belarus dated 18 September 2020

Liquidity ratios as at 31 December 2019:

Indicator name	Regulatory standard	31 December 2019
Liquidity ratio	Not less than 100%	117,7%
Net standing funding ratio	Not less than 100%	131,2%

Analysis of financial liabilities by the periods to maturity

The table below presents the Bank's financial liabilities as at 31 December 2020 by the periods to maturity based on contractual undiscounted maturity obligations. Derivative financial instruments redeemed by the delivery of a basic asset are an exception. They are indicated by contractual maturity. Liabilities subject to repayment on request are considered as if the request for repayment was filed at the earliest possible date. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history. Maturity differences analysis does not reflect the historical stability of current account balances, which have traditionally been repaid over a longer period than indicated in the tables above. These balances are included in amounts payable during less than "three months" in the tables above.

(in thousands of Belarusian Rubles)

Financial liabilities	Less than 3 months	3 to 12 months	1 - 5 years	Over 5 years	Total
As at 31 December 2020					
Due to credit institutions	89 572	23 738	23 520	-	**136 831**
Customer accounts	762 334	291 873	43 546	62 857	**1 160 610**
Debt securities issued	4 916	15 852	80 023	-	**100 791**
Other borrowings	11 216	592	10 592	-	**22 399**
Other financial liabilities	6 130	8 493	1 484	-	**16 107**
Subordinated debt	457	1 370	9 849	35 289	**46 965**
Total undiscounted financial liabilities	**874 625**	**341 918**	**169 014**	**98 146**	**1 483 703**
Derivative financial instruments redeemed by the delivery of a basic asset					
- Amounts payable under agreements	102 117	-	-	-	**102 117**
- Amounts receivable under agreements	(101 862)	-	-	-	**(101 862)**
Total cash flows from derivative financial liabilities	**255**	**-**	**-**	**-**	**255**
As at 31 December 2019					
Due to credit institutions	20 527	21 066	18 565	-	**60 158**
Customer accounts	518 537	237 358	82 238	23 536	**861 669**
Debt securities issued	41 682	41 474	3 613	-	86 769
Other borrowings	22 222	11 268	10 541	-	**44 031**
Other financial liabilities	20 765	6 629	7 989	-	**35 383**
Subordinated debt	260	1 171	6 248	30 418	**38 097**
Total undiscounted financial liabilities	**623 993**	**318 966**	**129 194**	**53 954**	**1 126 107**
Derivative financial instruments redeemed by the delivery of a basic asset					
- Amounts payable under agreements	99 408	-	-	-	**99 408**
- Amounts receivable under agreements	(99 390)	-	-	-	**(99 390)**
Total cash flows from derivative financial liabilities	**18**	**-**	**-**	**-**	**18**

(in thousands of Belarusian Rubles)

The table below shows the contractual maturity of the Bank’s financial commitments and contingencies. Each undrawn loan commitment is included in the period containing the earliest date it can be drawn down. For financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

	Less than 3 months	From 3 to 12 months	From 1 to 5 years	Over 5 years	Total
As at 31 December 2020	871 360	-	-	-	**871 360**
As at 31 December 2019	861 149	-	-	-	**861 149**

The Bank expects that not all of the contingent liabilities or commitments will be drawn before expiration of the commitments.

The Bank’s ability to fulfill its liabilities depends on its ability to realize an equivalent amount of assets within the same period of time.

The analysis of differences in maturity does not reflect the historical stability of current accounts. Their demand by the clients has been historically performed during a longer period than indicated in the tables above. These balances are included in amounts payable during less than “three months” in the tables above. Due to customers include term deposits of individuals.

Interest rate risk

The sensitivity of net interest income is an effect of the assumed changes in interest rates on the net interest income for one year, calculated based on financial assets and financial liabilities with a floating rate held as at 31 December. The sensitivity of equity to acceptable changes in interest rates as at 31 December is calculated after taxation.

Currency	Increase in basis points 2020	Sensitivity of net interest income in 2020	Capital sensitivity in 2020
BYN	1 500	(1 830)	(1 373)
EUR	25	-	-
USD	50	(187)	(140)

(in thousands of Belarusian Rubles)

Currency	Increase in basis points 2019	Sensitivity of net interest income in 2019	Capital sensitivity in 2019
BYN	1 500	5 512	4 134
EUR	25	(32)	(24)
USD	50	(1 204)	(903)

Currency	Decrease in basis points 2020	Sensitivity of net interest income in 2020	Capital sensitivity in 2020
BYN	500	610	458
EUR	25	-	-
USD	12	21	16

Currency	Decrease in basis points 2019	Sensitivity of net interest income in 2019	Capital sensitivity in 2019
BYN	500	(1 837)	(1 378)
EUR	25	32	24
USD	12	(1 238)	(929)

The following table presents a sensitivity analysis of the risk of changes in fair value carried out on the basis of changes which were reasonably possible in respect of investment securities with fixed interest rate. The extent of these changes is determined by management. The sensitivity analysis represents the effect of a 5% increase, a 5% decrease in interest rates effective at the reporting date, on the Bank's capital, assuming that the changes occur at the beginning of the financial year, after which the rates remain unchanged throughout the reporting period, all other factors being considered unchanged.

	31 December 2020		31 December 2019	
	Interest rate +5%	Interest rate -5%	Interest rate +5%	Interest rate -5%
Investment securities	(145)	145	(1 206)	1 206
Net impact on the capital	**(145)**	**145**	**(1 206)**	**1 206**

(in thousands of Belarusian Rubles)

Foreign currency risk

The Management Board and the Financial Committee ensure the maintenance of open positions in foreign currency within the limits of the currency risk limitation standards established by the National Bank of the Republic of Belarus. Items are monitored on a daily basis.

The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	BYN	USD	EUR	RUB	Other currencies	Total
Financial assets as at 31 December 2020						
Cash and cash equivalents	229 552	63 612	31 462	13 244	2 116	**339 986**
Due from credit institutions	15 811	3 481	-	-	-	**19 292**
Loans to customers	709 411	206 273	222 778	24 206	-	**1 162 668**
Investment securities	571	44 096	4 367	-	-	**49 034**
Other financial assets	546	255	84	1	-	**886**
Total financial assets	**955 891**	**317 717**	**258 691**	**37 451**	**2 116**	**1 571 866**
Financial liabilities as at 31 December 2020						
Due to credit institutions	(75 038)	(11 237)	(43 206)	(2 253)	-	**(131 734)**
Customer accounts	(458 702)	(359 238)	(153 053)	(15 297)	(1 063)	**(987 353)**
Debt securities issued	(73 747)	(3 315)	(1 591)	-	-	**(78 653)**
Other borrowings	(20 672)	-	-	-	-	**(20 672)**
Other financial liabilities	(3 393)	(404)	(11 925)	(2)	-	**(15 724)**
Subordinated debt	(851)	(31 932)	-	-	-	**(32 783)**
Total financial liabilities	**(632 403)**	**(406 126)**	**(209 775)**	**(17 552)**	**(1 063)**	**(1 266 919)**
Claims on derivative financial instruments and currency trading	655	99 767	9 763	3 690	-	**113 875**
Obligations on derivative financial instruments and currency trading	-	(13 422)	(76 875)	(23 798)	-	**(114 095)**
Total currency position as at 31 December 2020	**324 143**	**(2 064)**	**(18 196)**	**(209)**	**1 053**	**304 727**
Financial assets as at 31 December 2019						
Cash and cash equivalents	139 106	40 120	37 290	22 283	484	**239 283**
Due from credit institutions	7 933	3 646	3 419	-	-	**14 998**
Loans to customers	707 531	136 393	112 420	19 280	-	**975 624**
Investment securities	60 649	45 689	85	-	-	**106 423**
Other financial assets	484	189	567	-	-	**1 240**
Total financial assets	**915 703**	**226 037**	**153 781**	**41 563**	**484**	**1 337 568**
Financial liabilities as at 31 December 2019						
Due to credit institutions	(15 881)	(373)	(30 150)	(9 394)	-	**(55 798)**
Customer accounts	(496 814)	(238 833)	(94 028)	(13 028)	(213)	**(842 916)**
Debt securities issued	(77 409)	(6 051)	-	-	-	**(83 460)**
Other borrowings	(40 928)	-	-	-	-	**(40 928)**
Other financial liabilities	(6 229)	(11 715)	(17 198)	(32)	-	**(35 174)**
Subordinated debt	(793)	(26 032)	-	-	-	**(26 825)**

(in thousands of Belarusian Rubles)

	BYN	USD	EUR	RUB	Other currencies	Total
Total financial liabilities	**(638 054)**	**(283 004)**	**(141 376)**	**(22 454)**	**(213)**	**(1 085 101)**
Claims on derivative financial instruments and currency trading	2 268	77 537	6 290	13 148	165	**99 408**
Obligations on derivative financial instruments and currency trading	(13 762)	(17 095)	(37 495)	(31 038)	-	**(99 390)**
Total currency position at 31 December 2019	**266 155**	**3 475**	**(18 800)**	**1 219**	**436**	**252 485**

The following tables present the currencies of which the Bank had significant exposure as at 31 December on its financial assets and financial liabilities and its forecast cash flows. The analysis performed includes calculation of the effect of a reasonably possible change in currency rates against the Belarusian rouble before tax (due to the fair value of currency sensitive financial monetary assets and liabilities). All other parameters are considered constant. The effect on equity does not differ from the effect on profit before tax. The negative amounts in the table reflect the potentially possible net decrease in the statement of comprehensive income or equity, and the positive amounts reflect the potential net increase.

Currency	**Reasonable higher threshold of change in currency rate 2020**	**Effect on pre-tax profit 2020**	**Impact on capital after taxation 2020**
USD	+40%	(826)	(620)
EUR	+40%	(7 278)	(5 459)
RUB	+40%	(84)	(63)

(in thousands of Belarusian Rubles)

Currency	Reasonable lower threshold of change in currency rate 2020	Effect on pre-tax profit 2020	Impact on capital after taxation 2020
USD	-20%	413	310
EUR	-20%	3 639	2 729
RUB	-20%	42	32

Currency	Reasonable higher threshold of change in currency rate 2019	Effect on pre-tax profit 2019	Impact on capital after taxation 2019
USD	+40%	1 390	1 043
EUR	+40%	(7 520)	(5 640)
RUB	+40%	488	366

Currency	Reasonable lower threshold of change in currency rate 2019	Effect on pre-tax profit 2019	Impact on capital after taxation 2019
USD	-20%	(695)	(521)
EUR	-20%	3 760	2 820
RUB	-20%	(244)	(183)

Risk of early repayment

Early repayment risk is the risk that the Bank will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The Bank assesses early repayment risk to be insignificant as at 31 December 2020 and 31 December 2019 and does not project high volatility of interest rates in the following 12 months.

(in thousands of Belarusian Rubles)

27. Determination of fair values

Fair value measurement procedures

The Bank's Management determines the policies and procedures for both periodic fair value measurement of unquoted debt securities and unquoted derivative financial instruments, investment property and for non-recurring measurement, such as assets held-for-sale.

At each reporting date, the Management analyzes the movements in the values of assets which are required to be re-measured or re-assessed as per the Bank's accounting policies. For this analysis, the Management reviews the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Management, together with the Bank's external appraisers, also compares each change in the fair value of each asset with relevant external sources to determine whether the change is reasonable. On a periodic basis, the Management and the Bank's external appraisers present the results to the Audit committee and the Bank's independent auditors. This includes a discussion of the major assumptions used in appraisal.

Fair value hierarchy

For the purpose of fair value disclosure the Bank classified assets and liabilities on the basis of their nature, characteristics and risk of an asset or liability, as well as the level of fair value hierarchy.

	Fair value measurement using			
As at 31 December 2020	**Quoted prices in active markets Level 1**	**Significant observable key inputs Level 2**	**Significant unobservable inputs Level 3**	**Total**
Assets at fair value				
Derivative financial assets	-	-	50	**50**
Investment securities	-	49 034	-	**49 034**
Assets for which fair value is disclosed				
Due from credit institutions	-	-	19 292	**19 292**
Loans to customers	-	-	1 129 642	1 129 642
Liabilities at fair value				
Derivative financial instruments	-	-	255	**255**
Liabilities for which fair value is disclosed	-		-	
Due to credit institutions	-	131 734	-	**131 734**
Customer accounts	-	392 591	589 771	**982 362**
Debt securities issued	-	80 568	-	**80 568**
Other borrowings	-	-	20 672	**20 672**
Subordinated debt	-	-	35 404	**35 404**

(in thousands of Belarusian Rubles)

As at 31 December 2019	Quoted prices in active markets Level 1	Significant observable key inputs Level 2	Significant unobservable input(s) Level 3	Total
	Fair value measurement using			
Assets at fair value	-	-	-	**-**
Derivative financial assets	-	-	87	**87**
Investment securities	-	106 423	-	**106 423**
Assets for which fair value is disclosed	-			
Due from credit institutions	-	14 998	-	**14 998**
Loans to customers	-	-	978 345	**978 345**
Liabilities at fair value	-			
Derivatives	-	-	60	**60**
Liabilities for which fair value is disclosed	-			
Due to credit institutions	-	55 798	-	**55 798**
Customer accounts	-	375 045	470 415	**845 460**
Debt securities issued	-	84 181	-	**84 181**
Other borrowings	-	-	40 928	**40 928**
Subordinated debt	-	-	28 527	**28 527**

Movements in Level 3 financial instruments measured at fair value

The following table presents a reconciliation of the opening and closing balances of Level 3 financial assets and liabilities which are measured at fair value as at the end of 2020:

	As at 1 January 2020	Gains recognized in the statement of profit or loss	Repayments	As at 31 December 2020
Financial assets				
Derivative financial instruments	87	(552)	515	50
Financial liabilities				
Derivatives	60	(784)	470	(255)
Total Level 3 financial assets/liabilities, net	**27**	**232**	**45**	**305**

(in thousands of Belarusian Rubles)

Gains on Level 3 financial instruments included in the statement of comprehensive income are recognized in Net gains from foreign currency transactions. Gains and losses on derivative financial instruments for the reporting periods are disclosed in Note 22.

Fair value of financial assets and financial liabilities not measured at fair value

The table below presents carrying amount and fair value comparison by the Bank’s financial instruments classes that are not measured at fair value in the statement of financial position. The table does not include the fair value of non-financial assets and non-financial liabilities.

	Carrying amount 2020	Fair value 2020	Carrying amount 2019	Fair value 2019
Financial assets				
Cash and cash equivalents	339 986	339 986	239 283	239 283
Due from credit institutions	19 292	19 292	14 998	14 998
Loans to customers	1 162 668	1 129 642	975 624	978 345
Other financial assets	886	886	1 240	1 240
Financial liabilities				
Due to credit institutions	131 734	131 734	55 798	55 798
Customer accounts	987 352	982 362	842 916	845 460
Debt securities issued	78 653	80 568	83 460	84 181
Other borrowings	20 672	20 672	40 928	40 928
Other financial liabilities	15 724	15 724	18 465	18 465
Subordinated debt	32 783	35 404	26 825	28 527

Measurement techniques and assumptions

The techniques and assertions used in fair value measurement of the financial instruments that are not carried at fair value in the financial statements are disclosed below.

Assets for which fair value approximates carrying amount

For liquid financial assets and financial liabilities and those having a short-term maturity (less than three months) it is assumed that their fair value is approximately equal to their carrying amount. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed and variable rate financial instruments

The fair value of unquoted debt instruments is measured by discounting future cash flows using current interest rates taking into account the remaining maturities for debt instruments with similar terms and credit risk. For these purposes, the amortized cost is restated at the effective interest rate, which is equal to the weighted average rate for the instruments opened in the last reporting month of the reporting period. The fair value of such financial instruments is disclosed at level 3.

(in thousands of Belarusian Rubles)

28. Maturity analysis of assets and liabilities

The table below presents an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 26 “Risk management” for the Bank’s contractual undiscounted repayment obligations.

			Total 2020			Total 2019
	Within one year	More than 1 year	Total	Within one year	More than 1 year	Total
Cash and cash equivalents	339 986	-	**339 986**	239 283	-	**239 283**
Due from credit institutions	4 468	14 824	**19 292**	2 857	12 141	**14 998**
Derivative financial assets	50	-	**50**	87	-	**87**
Loans to customers	730 015	432 653	**1 162 668**	597 959	377 665	**975 624**
Investment securities	-	49 034	**49 034**	82 980	23 443	**106 423**
Property and equipment	-	26 733	**26 733**	-	32 065	**32 065**
Intangible assets	-	25 190	**25 190**	-	22 048	**22 048**
Other assets	591	8 734	**9 325**	546	7 274	**7 820**
Total	**1 075 110**	**557 168**	**1 632 278**	**923 712**	**474 636**	**1 398 348**
Due to credit institutions	(110 765)	(20 969)	**(131 734)**	(40 599)	(15 199)	**(55 798)**
Derivative financial liabilities	(255)	-	**(255)**	(60)	-	**(60)**
Customer accounts	(543 136)	(444 216)	**(987 352)**	(369 150)	(473 766)	**(842 916)**
Debt securities issued	(18 616)	(60 037)	**(78 653)**	(80 345)	(3 115)	**(83 460)**
Other borrowings	(10 740)	(9 932)	**(20 672)**	(30 997)	(9 931)	**(40 928)**
Current income tax liabilities	(5 357)	-	**(5 357)**	(1 715)	-	**(1 715)**
Deferred income tax liabilities	-	(12 889)	(12 889)	-	(12 835)	**(12 835)**
Other liabilities	(24 162)	(1 696)	**(25 858)**	(34 733)	(8 158)	**(42 891)**
Subordinated debt	(113)	(32 670)	**(32 783)**	(267)	(26 558)	**(26 825)**
Total	**(713 144)**	**(582 409)**	**(1 295 553)**	**(557 866)**	**(549 562)**	**(1 107 428)**
Net position	**361 966**	**(25 241)**	**336 725**	**365 846**	**(74 926)**	**290 920**

Overdue loans to customers in the amount of BYN 6 976 thousand as at 31 December 2020 (31 December 2019: BYN 6 465 thousand) were included in the loans to customers with a maturity of more than one year.

The Bank's management believes that in case of early repayment of due to customers, the Bank will be able to dispose its liquid assets to make the necessary payments. Beside that the Management of the Bank believes that if the financing from its counterparty banks decreases the Bank will get support from the shareholders. The Bank also has access to constantly operating instruments for regulating liquidity on behalf of the regulator.

For the categories of financial assets and financial liabilities the expected periods differ from the contractual ones.

Customer accounts - the Bank’s liquidity management includes an assessment of the minimum required balance on current (settlement) customer accounts, that is, the funds attracted in an amount that takes into account stable relationships with customers, which is determined using statistical methods applied to historical data on fluctuations in customer account balances for at least 30 days prior to the date of analysis. Due to this, liabilities to repay due to customers with the maturity over one year are mostly comprised of semi-fixed balance of due to customers.

29. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, the Bank treats parties as related when the parties are able to control or significantly influence to the Bank's operating and financial decisions (shareholders, entities under common control, key management personnel). In considering each possible related party relationship, attention is directed to the substance of the relationship not merely the legal form.

The Bank enters into banking transactions with related parties including but not limited to lending, deposit taking, cash settlement, foreign exchange, providing guarantees, as well as securities and derivative transactions.

(in thousands of Belarusian Rubles)

The outstanding balances of related party transactions are as follows:

	Total 2020			
	Shareholders	**Entities under common control**	**Key management personnel**	**Other related parties**
Loans to customers as at 31 December	4	2 311	59	71
Allowance for expected credit losses	-	(7)	-	-
Loans to customers less allowance for expected credit losses	**4**	**2 304**	**59**	**71**
Term deposits as at 31 December	197 932	3 718	297	126
Current customer accounts as at 31 December	1 284	707	2 854	732

	Total 2019			
	Shareholders	**Entities under common control**	**Key management personnel**	**Other related parties**
Loans to customers as at 31 December	17 424	281	54	83
Allowance for expected credit losses	(37)	(3)	-	(1)
Loans to customers less allowance for expected credit losses	**17 387**	**278**	**54**	**82**
Term deposits as at 31 December	50 425	3 026	393	118
Current customer accounts as at 31 December	2 872	2 282	915	562

(in thousands of Belarusian Rubles)

				Total 2020
	Shareholders	**Entities under common control**	**Key management personnel**	**Other related parties**
Subordinated debt as at 31 December 2020	32 783	-	-	-
Loan commitments as at 31 December	37 900	8 423	200	135
Guarantees as at 31 December	12 118	-	-	-
Loss allowance for financial guarantees	(11)	-	-	-
Other liabilities – accrual of unused vacation liabilities	-	-	899	-

				Total 2019
	Shareholders	**Entities under common control**	**Key management personnel**	**Other related parties**
Subordinated debt as at 31 December 2019	26 825	-	-	-
Loan commitments as at 31 December	32 019	9 560	204	112
Guarantees as at 31 December	15 118	-	-	-
Loss allowance for financial guarantees	(131)	-	-	-
Other liabilities – accrual of unused vacation liabilities	-	-	452	-

The average-weighted contract rate on loans to related parties in 2020 was 6,39% (in 2019 – 10,51%). In general, loans are represented by long-term non-revolving credit lines, mainly denominated in foreign currency. The average-weighted contract rate on deposits in 2020 was 4,19% (in 2019 – 2,29%). During the reporting period, the Bank mainly attracted short-term deposits, commonly denominated in foreign currency.

As at 31 December 2020 and 31 December 2019, the guarantees issued are represented by long-term guarantees in the national currency which were issued during the period from 2016 to 2017 with maturity in February 2022.

(in thousands of Belarusian Rubles)

The income and expenses arising from related party transactions are as follows:

	Total 2020			
	Shareholders	**Entities under common control**	**Key management personnel**	**Other related parties**
Interest income on loans to customers	395	407	5	9
Interest expense on subordinated debt	(1 932)	-	-	-
Interest expenses on customer accounts	(2 225)	(91)	(47)	(23)
Recovery of loss allowance	37	(4)	-	1
Commission income	412	1 085	6	4
Income from foreign exchange operations	12	36	-	-
Personnel expenses	-	-	6 648	-

	Total 2019			
	Shareholders	**Entities under common control**	**Key management personnel**	**Other related parties**
Interest income on loans to customers	3 427	122	3	8
Interest expense on subordinated debt	(2 000)	-	-	-
Interest expenses on customer accounts	(1 130)	(74)	(40)	(17)
Recovery of loss allowance	(21)	10	-	-
Fee and commission income	267	68	5	5
Income from foreign exchange operations	14	5	-	-
Personnel expenses	-	-	5 138	-

Compensation to key management personnel is disclosed below:

	Total 2020	**Total 2019**
Salaries and other short-term employee benefits	5 368	4 097
Social contributions	1 280	1 041
Total key management personnel compensation	**6 648**	**5 138**

Information on remuneration to Supervisory Board members is disclosed in Note 25.

(in thousands of Belarusian Rubles)

30. Capital adequacy

The Bank actively manages the capital base to cover risks inherent in its business. The Bank's capital adequacy is monitored using among other methods the ratios established by the Basel Capital Accord dated 1988 and the ratios established by the National Bank when observing the Bank.

As at 31 December 2020 and 2019, the Bank fully complied with all external capital requirements established.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize the Bank's value.

The Bank manages its capital structure and makes adjustments to it taking into account changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to the shareholders, return capital to shareholders or issue equity securities. No changes were made in the objectives, policies and processes compared to the previous years.

Capital adequacy ratio established by the National Bank of the Republic of Belarus

According to the requirements of the National Bank of the Republic of Belarus, the capital adequacy ratio of the Bank, taking into account the conservation buffer and the buffer of systemic significance, must be maintained at a level not lower than 12,50% of the amount of risk-weighted assets, which are calculated in accordance with the requirements of the legislation of the Republic of Belarus. In accordance with Resolution No. 298 *On certain issues of regulating the activities of banks in 2021* of the Board of the National Bank of the Republic of Belarus dated 18 September 2020, the normative value of regulatory capital adequacy, taking into account buffers, was set at 12,0%. As at 31 December 2020 and 31 December 2019, the Bank's capital adequacy ratio calculated on the abovementioned basis was as follows:

	Total 2020	**Total 2019**
Principal capital	225 139	146 523
Additional capital	77 247	99 375
Total equity	**302 386**	**245 898**
Risk-weighted assets	**2 205 575**	**1 409 662**
Capital adequacy ratio	13,71%	17,44%

(in thousands of Belarusian Rubles)

Capital adequacy ratio under Basel Capital Accord 1988

As at 31 December 2020 and 31 December 2019, The Bank’s capital adequacy ratio, calculated in accordance with the Basel Capital Accord dated 1988 using a standardized approach and taking into account subsequent amendments related to including market risks, comprised:

	Total 2020	Total 2019
Tier 1 capital	310 865	267 294
including share capital	110 426	*110 426*
retained earnings	225 629	*179 117*
intangible assets	(25 190)	*(22 048)*
Tier 2 capital	32 934	28 005
including subordinated debt, taken into account in the calculation of capital	*32 264*	*26 628*
fair value reserve of investment securities	*670*	*1 377*
Total equity	**343 799**	**295 500**
Risk-weighted assets	**1 574 798**	**1 386 863**
Tier 1 capital adequacy ratio	19,74%	19,29%
Total capital adequacy ratio	21,83%	21,31%

Calculation of capital adequacy under the provisions of the Basel Capital Accord is based on the financial statements prepared in accordance with IFRS.

Difference in the amounts of risk-weighted assets that are used in the calculation of capital adequacy under the requirements of the National Bank of the Republic of Belarus and provisions of the Basel Capital Accord arises as a result of adjustments of financial statements due to the differences in the accounting policies.

31. Subsequent events

According to the National Bank of the Republic of Belarus, core inflation was 8,7 percent in annual terms in February 2020.

In January 2021, the composition of the ultimate beneficial owners of the Bank changed: the composition of ultimate controlling parties after the change is described in Note 1.