BELGAZPROMBANK

Financial Statements and
Independent Auditors' Report
For the year ended 31 December 2020

BELGAZPROMBANK

CONTENTS

Independent Auditors' Report

To the Shareholders and Management of Belarusian-Russian Belgazprombank Joint Stock

Opinion

We have audited the financial statements of Belarusian-Russian Belgazprombank Joint Stock (hereinafter referred to as "the Bank"), which comprise the statement of financial position as at 31 December 2020 and the statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising 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 the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' 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 International Code of Ethics for Professional Accountants (including International Independence Standards) *(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 audit 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 of 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, and we do not provide a separate opinion on these matters.

Expected credit losses allowance for loans to customers	
See Notes: 6, Expected credit loss, 19, Loans to Customers and 39, Risk Management.	
The key audit matter	**How the matter was addressed in our audit**
Loans to customers measured at amortized cost represent 55% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used. To estimate ECL management needs to apply professional judgement and to make assumptions related to the following key areas: - timely identification of significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with the IFRS 9 *Financial Instruments* (hereinafter, "IFRS 9")); - assessment of probability of default (PD) and loss given default (LGD); - assessment of add-on adjustment to account for different scenarios and forward-looking information; - expected cash flows forecast for loans to customers classified in Stage 3 and those purchased or originated credit-impaired loans. The risk of material misstatement of the ECL allowance has increased this year due to the increased uncertainty associated with the exercise of professional judgment and the use of assumptions as a result of the COVID-19 pandemic. Due to the significant volume of loans to customers and the related ECL allowance estimation uncertainty, this area is a key audit matter.	We analyzed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including involvement into the analysis of financial risks management specialists. Our audit procedures over the input data and calculations of ECL include the following: - For a sample of loans and borrowers, the assessment of the ECL for which is made on a collective basis based on the borrower's credit rating, we analyzed financial and non-financial information, as well as professional judgements applied by the Bank to assess whether the sampled items are appropriately classified into stages also taking into account influence of COVID-19 pandemic on the business of the borrowers and rating assigned by the Bank for borrowers, and also tested input data used in the rating models. - For a sample of loans and borrowers who are not assigned an individual credit rating and the assessment of the ECL for which is made on a collective basis based on the migration of the past due debt, we tested the principles of the respective models, as well as tested the original model data with primary documents on a selective basis. - We assessed and tested design and operating effectiveness of controls over calculation of internal ratings. - We assessed the predictive capability of the Bank's ECL valuation models by comparing the estimates made as at 1 January 2020 with actual results for 2020. - We analyzed the overall adequacy of the add-on adjustment to account for different scenarios and forward-looking information by comparison with our own estimate considering current and future economic situation

	and business environment of certain categories of borrowers. As part of this analysis, we critically examined the validity of the Bank's assumption of the economic uncertainty associated with COVID-19. - For a sample of Stage 3 and purchased or originated credit-impaired loans, where ECL are assessed individually, we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realizable collateral and its expected disposal terms based on our understanding and publicly available market information. We specifically focused on exposures which potentially may have the most significant impact on the financial statements. We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk.

Other matter

The financial statements of the Bank as at and for the year ended 31 December 2019 were audited by other auditors who expressed an unmodified opinion on those statements on 3 March 2020.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of 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 operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility 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 auditors' 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 ISAs 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 an audit in accordance with 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 auditors' 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 auditors' 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is:

Irina Vereschagina

Partner,

KPMG LLC

30 April 2021

Minsk
Republic of Belarus

BELGAZPROMBANK

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Belarusian Roubles)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Interest income calculated using the effective interest rate method	5, 35	337,469	337,341
Other interest income	5, 35	11,605	15,205
Interest expenses	5, 35	(167,698)	(170,441)
NET INTEREST INCOME		181,376	182,105
Impairment loss on financial assets	6, 35	(67,426)	(10,818)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES ON FINANCIAL ASSETS		113,950	171,287
Net (loss) / gain from investment securities at fair value through other comprehensive income reclassified to income statement		(2,662)	822
Net gain from foreign exchange operations	7	53,246	13,070
Net (loss) / gain from trading operations	8, 35	(37,140)	35,099
Fee and commission income	9, 35	89,084	80,682
Fee and commission expenses	9, 35	(18,798)	(15,879)
Net loss on operations with precious metals	10	(1,892)	(4,432)
Impairment (loss) / recovery on off-balance sheet commitments	6	(311)	277
Net profit arising from the derecognition of financial assets measured at amortised cost	11	1,576	3,369
Other income	12, 35	10,915	17,554
NET NON-INTEREST INCOME		94,018	130,562
OPERATING INCOME		207,968	301,849
OPERATING EXPENSES	13, 35	(165,881)	(174,406)
PROFIT BEFORE INCOME TAX		42,087	127,443
Income tax expense	14	(2,352)	(15,905)
NET PROFIT		**39,735**	**111,538**
Basic and diluted earnings per share (BYN)	32	0.0011	0.0032

On behalf of the Management Board:

Chairman of the Management Board
N.A. Ermakova
30 April 2021
Minsk

Chief Accountant
N.M. Dylevskaya
30 April 2021
Minsk

The Notes on pages 14-97 form an integral part of these Financial Statements

BELGAZPROMBANK

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Belarusian Roubles)

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
NET PROFIT	39,735	111,538
OTHER COMPREHENSIVE (LOSS) / INCOME		
Items that are or may be reclassified subsequently to profit or loss:		
Net change in investment securities at fair value through other comprehensive income reclassified to income statement	2,662	(822)
Impairment recovery on investment securities	3,974	2,156
Net change in fair value of investment securities at fair value through other comprehensive income	(10,930)	13,844
Income tax	(771)	(581)
TOTAL OTHER COMPREHENSIVE (LOSS) / INCOME	(5,065)	14,597
TOTAL COMPREHENSIVE INCOME	**34,670**	**126,135**

On behalf of the Management Board:

Chairman of the Management Board	**Chief Accountant**
N.A. Ermakova	N.M. Dylevskaya
30 April 2021	30 April 2021
Minsk	Minsk

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BELGAZPROMBANK

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020
(in thousands of Belarusian Roubles)

	Notes	31 December 2020	31 December 2019 (restated)	1 January 2019 (restated)
ASSETS:				
Cash and cash equivalents	15, 35	555,329	675,919	593,310
Securities at fair value through profit or loss	16, 35	89,314	213,971	233,686
Derivative financial instruments, assets	17, 35	481	1,151	4,523
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	18	33,390	36,297	75,186
Loans to customers	19, 35	2,893,293	3,327,739	3,069,654
Investment securities	20	374,824	523,402	355,554
Including those pledged under repurchase agreements	20	-	*14,725*	*24,001*
Non-current assets held for sale	21	16,631	17,597	30,588
Property, equipment, intangible and right-of-use assets	22	166,541	164,229	159,303
Investment property	23	578	939	-
Current income tax assets		5,193	-	-
Deferred income tax assets	14	4,087	4,937	3,609
Other assets	24, 35	23,434	32,365	20,245
TOTAL ASSETS		**4,163,095**	**4,998,546**	**4,545,658**
LIABILITIES AND EQUITY				
LIABILITIES:				
Derivative financial instruments, liabilities	17, 35	641	89	1,709
Loans from the National Bank of the Republic of Belarus	25	398,000	-	-
Due to banks and other financial institutions	26, 35	835,192	884,309	894,217
Due to customers	27, 35	1,927,956	3,010,607	2,726,724
Debt securities issued	28	74,859	148,222	50,229
Current income tax liabilities		-	9,615	10,464
Other liabilities	29, 35	21,925	22,118	21,836
Subordinated debt	30, 35	177,497	173,283	158,446
Total liabilities		3,436,070	4,248,243	3,863,625
EQUITY:				
Share capital	31	535,944	535,944	535,944
Investment securities revaluation reserve		20,732	25,797	11,200
Retained earnings		170,349	188,562	134,889
Total equity		727,025	750,303	682,033
TOTAL LIABILITIES AND EQUITY		**4,163,095**	**4,998,546**	**4,545,658**

On behalf of the Management Board:

Chairman of the Management Board
N.A. Ermakova
30 April 2021
Minsk

Chief Accountant
N.M. Dylevskaya
30 April 2021
Minsk

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BELGAZPROMBANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Belarusian Roubles)

	Notes	Share capital	Investment securities revaluation reserve	Retained earnings	Total equity
31 December 2018		**535,944**	**7,980**	**134,889**	**678,813**
The adjustment of the comparative period information	2	-	3,220	-	3,220
Adjusted balance as at 1 January 2019		**535,944**	**11,200**	**134,889**	**682,033**
Net profit		-	-	111,538	111,538
Other comprehensive income, net of income tax (restated)					
Investment securities revaluation reserve					
Net change in fair value	2	-	13,263	-	13,263
Net change in fair value of investment securities transferred to profit or loss		-	(822)	-	(822)
Impairment loss on investment securities		-	2,156	-	2,156
Total other comprehensive income (restated)		**-**	**14,597**	**-**	**14,597**
Total comprehensive income for the year (restated)		**-**	**14,597**	**111,538**	**126,135**
Transactions with shareholders					
Dividends declared and paid after 2018	31	-	-	(57,865)	(57,865)
Total transactions with shareholders		**-**		**(57,865)**	**(57,865)**
31 December 2019 (restated)		**535,944**	**25,797**	**188,562**	**750,303**
Net profit		-	-	39,735	39,735
Other comprehensive (loss) / income, net of income tax					
Investment securities revaluation reserve					
Net change in fair value		-	(11,701)	-	(11,701)
Net change in fair value of investment securities transferred to profit or loss		-	2,662	-	2,662
Impairment loss on investment securities		-	3,974	-	3,974
Total other comprehensive loss		**-**	**(5,065)**	**-**	**(5,065)**
Total comprehensive income for the year		**-**	**(5,065)**	**39,735**	**34,670**
Transactions with shareholders					
Dividends declared and paid after 2019	31	-	-	(57,948)	(57,948)
Total transactions with shareholders		**-**	**-**	**(57,948)**	**(57,948)**
31 December 2020		**535,944**	**20,732**	**170,349**	**727,025**

On behalf of the Management Board:

Chairman of the Management Board
N.A. Ermakova
30 April 2021
Minsk

Chief Accountant
N.M. Dylevskaya
30 April 2021
Minsk

The Notes on pages 14-97 form an integral part of these Financial Statements

BELGAZPROMBANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Belarusian Roubles)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOW FROM OPERATING ACTIVITIES:			
Net profit		39,735	111,538
Adjustments:			
Impairment losses on financial assets	6	67,426	10,818
Impairment losses / (recovery) on off-balance sheet commitments	6	311	(277)
Net change in the fair value of derivatives		160	(1,062)
Revaluation of precious metals balance sheet items and impersonal metal accounts	10	2,406	4,729
Net change in fair value of securities at fair value through profit or loss		3,308	(13,236)
Effect of assets recognition at below-market rate		(623)	2,782
Decrease in value of non-current assets held for sale		30	-
Depreciation and amortization	13, 22	26,283	21,035
(Profit) / loss from sale of property, equipment and non-current assets held for sale	12, 13	(152)	50
Net change in payroll obligations		(1,143)	2,151
Net interest income	5	(181,376)	(182,105)
Net change in fee and commission income accrued and penalties		1,027	3,752
Loss / (profit) from disposal of investment securities		2,662	(822)
Income tax expenses	14	2,352	15,905
Translation differences, net	7	(25,917)	(1,079)
Cash flows from operating activities before changes in operating assets and liabilities		(63,511)	(25,821)
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum mandatory reserve deposit with the National Bank of the Republic of Belarus		11,198	(4,924)
Due from the National Bank of the Republic of Belarus, banks and other financial institutions		(8,142)	43,388
Securities at fair value through profit or loss		154,057	26,607
Derivative financial instruments		1,061	2,814
Loans to customers		806,641	(311,676)
Other assets		7,760	(13,337)
Increase/(decrease) in operating liabilities:			
Loans from the National Bank of the Republic of Belarus		398,000	-
Due to banks and other financial institutions		(170,713)	121,839
Due to customers		(1,419,752)	347,852
Other liabilities		(1,844)	1,687
Interest received		349,667	348,181
Interest paid		(161,625)	(163,543)
Income tax paid		(17,081)	(18,663)
Net cash (outflow)/ inflow from operating activities		(114,284)	354,404

BELGAZPROMBANK

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020
(in thousands of Belarusian Roubles)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(24,802)	(27,864)
Proceeds from sale of property, equipment and non-current assets held for sale, other property		2,772	16,075
Purchase of investment securities		(89,693)	(8,002,300)
Proceeds from sale and repayment of investment securities		318,771	7,844,303
Net cash inflow / (outflow) from investing activities		207,048	(169,786)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of syndicated loans	33	(80,202)	(98,817)
Proceeds from debt securities issued	33	201,184	376,611
Repayment of debt securities issued	33	(294,264)	(280,827)
Attraction of loans received from international financial institutions	33	987	23,195
Repayment of loans received from international financial institutions	33	(3,790)	(35,873)
Lease payments	29	(878)	(923)
Dividends paid	31	(57,948)	(57,865)
Net cash outflow from financing activities		(234,911)	(74,499)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(142,147)	110,119
Effect of exchange rate changes on cash and cash equivalents		21,557	(27,510)
CASH AND CASH EQUIVALENTS, beginning of the year	15	675,919	593,310
CASH AND CASH EQUIVALENTS, end of the year	15	555,329	675,919

On behalf of the Management Board:

Chairman of the Management Board
N.A. Ermakova
30 April 2021
Minsk

Chief Accountant
N.M. Dylevskaya
30 April 2021
Minsk

The Notes on pages 14-97 form an integral part of these Financial Statements

(in thousands of Belarusian Roubles, unless otherwise indicated)

1. ORGANIZATION

Belorussian-Russian Belgazprombank Joint Stock (hereinafter, “Belgazprombank” or the “Bank”), initially named as Commercial Bank Ekorazvitie, was established in 1990. Subsequently, the Bank’s name was changed for Bank Olymp. After the acquisition of controlling interest by RJSC Gazprom (subsequently, renamed to PJSC Gazprom) (Russian Federation) and CJSC “Gazprombank” (subsequently, renamed to Gazprombank (Joint Stock Company) (Russian Federation), the Bank was reorganized into Belorussian-Russian Belgazprombank Joint Stock and was registered by the National Bank of the Republic of Belarus on 28 November 1997.

The Bank conducts its business under the license for performing banking operations No. 8 issued by the National Bank of the Republic of Belarus on 8 July 2020. The Bank accepts deposits from the public and organizations, grants loans, transfers payments in the Republic of Belarus and abroad, exchanges currencies, carries out operations with securities and provides other banking services to its corporate customers and individuals.

The registered office of the Bank is located at: 60/2 Pritytsky St., 220121, Minsk, Republic of Belarus.

As at 31 December 2020 and 31 December 2019, the structure of the Bank’s share capital was as follows:

Shareholders	**Ownership interest**
PJSC Gazprom (Russian Federation)	49.818
Gazprombank (Joint Stock Company) (the Russian Federation)	49.818
OJSC “Gazprom transgaz Belarus” (the Republic of Belarus)	0.266
State Committee on Property of the Republic of Belarus	0.097
Other	less than 0.001
Total	**100.000**

The ultimate controlling party of the Bank is the Government of the Russian Federation represented by the Federal Agency for state property management (Rosimuschestvo).

In 2014, the Office of Foreign Assets Control of the U.S. Department of the Treasury (hereinafter, the “OFAC”) and the Council of the European Union (hereinafter, the “EU”) introduced sectoral sanctions against some entities of the Russian Federation including Gazprombank (Joint Stock Company) and PJSC Gazprom.

Belgazprombank is not subject to the sanctions limiting financial transactions that were imposed on Gazprombank (Joint Stock Company) since the share of Gazprombank (Joint Stock Company) in the Bank is currently less than 50% (49.818%).

At the same time, limitations on the extraction of mineral resources in hard-to-reach locations imposed on PJSC Gazprom, notwithstanding the fact that PJSC Gazprom share in the Bank amounts to 50.08% (taking into account the 100% share of PJSC Gazprom in OJSC “Gazprom transgaz Belarus”), do not extend to the Bank’s operations, since those are not related to the extraction of mineral resources in hard-to-reach locations.

The lack of grounds for the limitations provided for by the sectoral sanctions of OFAC when conducting transactions with the Bank is confirmed in an external legal opinion issued in the form of a memorandum by an international legal advisor.

These Financial Statements were authorized for issue by the Chairman of the Management Board and the Chief Accountant of the Bank on 30 April 2021.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These Financial Statements were prepared in accordance with International Financial Reporting Standards (hereinafter IFRS).

Other basis of presentation criteria

These Financial Statements were prepared under the assumption that the Bank is a going concern and will continue to operate for the foreseeable future. The Management and Shareholders intend to further develop the business of the Bank in the Republic of Belarus. The Management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy ratio and based on the historical experience that short-term obligations will be refinanced in the normal course of business.

These Financial Statements are presented in thousands of Belarusian Roubles ("BYN thousand"), unless otherwise indicated.

These Financial Statements were prepared on a historical cost basis, except for certain non-cash items that originated before 31 December 2014, which were recognized in accordance with the International Accounting Standard 29 "Financial Reporting in Hyperinflationary Economies" (IAS 29), and certain assets that are recognized at revalued value or fair value as at each reporting date as indicated below.

During 2014 and the prior years, the economy of the Republic of Belarus was considered to be hyperinflationary in accordance with IAS 29. Starting from 1 January 2015, the economy of the Republic of Belarus is no longer considered hyperinflationary, thus the cost 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.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Bank maintains its accounting records in accordance with the legislation of the Republic of Belarus. These Financial Statements were prepared on the basis of accounting records maintained in accordance with Belarusian accounting rules and were adjusted to conform to IFRS.

The Bank generally presents its statement of financial position items in order of liquidity. The analysis regarding the recovery of financial assets or repayment of financial liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 39.

Adjustments to the comparative period information and its presentation

In 2020 the changes implemented by the Bank were connected with the calculation of the fair value of the equity financial instruments, measured at FVOCI. The equity financial instruments started to be measured at market quotations, instead of accounting at fair value close to par value. The effect of the changes in the fair value measurement approach for investments in equity instruments is reflected retrospectively in the financial statements within the line of the statement of financial position "Investment securities" as at 31 December 2019 and as at 1 January 2019. The changes in fair value measurement approaches for investments in equity instruments also had an impact on the Statement of comprehensive income and the Statement of changes in equity for the year, ended 31 December 2019. The comparative period information in the Notes to the financial statements was amended respectively.

The changes in the calculation of the fair value of the listed equity financial instruments caused the adjustments in the Statement of financial position as at 31 December 2019 within the line "Deferred income tax assets", as well as in the Statement of comprehensive income within the line " Income tax relating to remeasurement equity securities at fair value through other comprehensive income" and in the summary lines of the Statement of changes in equity. The presentation of the comparative period information in the Notes to the financial statements was amended respectively.

In 2020 the Bank decided to reclassify the expenses on bad debt collection from the line "Fee and commission expenses" to the line "Operation expenses". The comparative period information in the Notes to the financial statements was amended accordingly.

The impact of the adjustments on Income Statement for the year ended 31 December 2019, on the Statement of comprehensive income for the year ended 31 December 2019, on the Statement of financial position as at 1 December 2019 and 31 December 2019, and on the Statement of changes in equity for the year, ended 31 December 2018 (recalculation of the balance as at 1 January 2019) and 31 December 2019, is described in the table below:

		Adjustments			
	Book value prior to adjustments as at 31.12.2019/ for the year, ended 31.12.2019	**Listed equity securities, measured at fair value**	**Deferred income tax**	**Reclassification of fee and commission expenses to operating expenses**	**Book value after adjustments as at 31.12.2019/ for the year, ended 31.12.2019**
Income statement					
Fee and commission expenses	(18,922)	-	-	3,043	(15,879)
Net non-interest income	**127,519**	**-**	**-**	**3,043**	**130,562**
Operating income	**298,806**	**-**	**-**	**3,043**	**301,849**
Operating expenses	**(171,363)**	**-**	**-**	**(3,043)**	**(174,406)**
Net profit	**111,538**	**-**	**-**	**-**	**111,538**
Statement of comprehensive income					
Net change in fair value of investment securities at fair value through other comprehensive income	11,518	2,326	-	-	13,844
Income tax	-	-	(581)	-	(581)
Total other comprehensive income	**12,852**	**2,326**	**(581)**	-	**14,597**
Total comprehensive income	**124,390**	**2,326**	**(581)**	-	**126,135**
Statement of financial position					
Investment securities	516,782	6,620	-	-	523,402
Deferred income tax assets	6,592	-	(1,655)	-	4,937
Total assets	**4,993,581**	**6,620**	**(1,655)**	-	**4,998,546**
Investment securities revaluation reserve	20,832	6,620	(1,655)	-	25,797
Total equity	**745,338**	**6,620**	**(1,655)**	-	**750,303**
Total liabilities and equity	**4,993,581**	**6,620**	**(1,655)**	-	**4,998,546**
Statement of changes in equity					
Investment securities revaluation reserve	20,832	6,620	(1,655)	-	25,797
Total equity	**745,338**	**6,620**	**(1,655)**	-	**750,303**

	Book value prior to adjustments as at 31.12.2018	Adjustments			Book value after adjustments as at 31.12.2018
		Listed equity securities, measured at fair value	**Deferred income tax**	**Total adjustments**	
Statement of financial position					
Investment securities	351,260	4,294	-	4,294	355,554
Deferred income tax assets	4,683	-	(1,074)	(1,074)	3,609
Total assets	**4,542,438**	**4,294**	**(1,074)**	**3,220**	**4,545,658**
Investment securities revaluation reserve	7,980	4,294	(1,074)	3,220	11,200
Total equity	**678,813**	**4,294**	**(1,074)**	**3,220**	**682,033**
Total liabilities and equity	**4,542,438**	**4,294**	**(1,074)**	**3,220**	**4,545,658**
Statement of changes in equity					
Investment securities revaluation reserve	7,980	4,294	(1,074)	3,220	11,200
Total equity	**678,813**	**4,294**	**(1,074)**	**3,220**	**682,033**

In 2020 the Bank reclassified the amounts of changes in the line «Investment securities» in the amount of BYN 14,240 thousand from «Cash flows from the operating activities» to «Cash flows from the investing activities» of the Statement of cash flows for the year, ended 31 December 2019 and presentation of the following sum on the basis of gross flows on acquisition and proceeds from sale and repayments in order to reflect the movements in investment securities in the statement of cash flows more accurately. The effect of the adjustments in the statement of cash flows for the year, ended 31 December 2019, is described in the table below:

	Book value prior to adjustments as at 31.12.2019	Reclassification of the investment securities movement	Book value after adjustments as at 31.12.2019
Cash flows from the operating activities			
Investment securities	14,240	(14,240)	-
Net cash (outflow) / inflow from operating activities	**368,644**	**(14,240)**	**354,404**
Cash flows from the investing activities			
Purchase of investment securities	(238,728)	(7,763,572)	(8,002,300)
Proceeds from sale and repayment of investment securities	66,491	7,777,812	7,844,303
Net cash inflow / (outflow) from investing activities	**(184,026)**	**14,240**	**(169,786)**

Recognition of interest 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:

- gross carrying amount of the asset; or
- 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 expected credit losses. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The effective interest rate calculation includes transaction costs as well as fees and charges paid or received that form an integral part of the effective interest rate. Transaction costs include additional expenses directly attributable to the acquisition or issue of the financial asset or 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 amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

Gross carrying amount of a financial asset measured at amortized cost is the amortized cost of the financial asset before adjustment for the amount of loss allowance.

Calculation of interest income and expenses

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. When calculating interest income and expenses the effective interest rate is applied to the amount of the asset gross carrying amount (when the asset is not credit-impaired) or 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.

For financial assets that became 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 a financial asset is no longer credit-impaired, interest income is calculated based on gross carrying amount.

For financial assets that were credit-impaired at initial recognition interest income is calculated through applying the effective interest rate adjusted for credit risk to the amount of the financial asset amortized cost. For such assets interest income is not calculated based on gross carrying amount even if the related credit risk subsequently decreases.

Presentation

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

- interest income on financial assets measured at amortized cost (including fees and commission for loan-maintenance, fees and commission from contractual counterparties on the credit cards with installment payment plans, on Delay consumer loans, and also the related loan granting direct costs, built-in the calculation of the loans' effective interest rate;

- interest on debt instruments measured at fair value through other comprehensive income (FVOCI);

Other interest income presented in the income statement includes interest income on non-derivative debt financial instruments measured at fair value through profit or loss (FVTPL) and net investments in finance leases.

Interest expenses presented in the income statement include:

- interest expenses on financial liabilities measured at amortized cost;
- financial expenses on lease liabilities.

Recognition of income under repurchase and reverse repurchase agreements

In the normal course of business the Bank enters into sale and repurchase agreements ("repos") as well as purchase and sale back agreements of financial assets ("reverse repos").

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other compensation and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest.

Gain/loss on the sale and repurchase ("repo") and reverse repurchase agreements ("reverse repo") is recognized as interest income or expense in the income statement based on the difference between the repurchase price accreted to date using the effective interest rate method and the sale price when such instruments are sold to the counterparty. When a repo (reverse repo) is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Recognition of fee and commission income

Loan servicing fees that are not part of the effective interest rate are recognized as the services are provided. Commission fees for transactions are recognized at the time the transaction is being performed.

A contract with a customer that results in a recognised 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. In this case 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.

Revenue recognition policy

Fee and commission income from contracts with customers is measured basing on the contractual reimbursement specified in the contract. The Bank recognizes revenue when it transfers control over a service to a customer.

The table below contains the information about the types and terms of the obligations, that are to be fulfilled within the framework of contracts with customers, including significant payment terms and relevant accounting policies with respect to revenue recognition.

Type of service	Types and terms of the obligations, that are to be fulfilled, including significant payment terms	Revenue recognition according to IFRS 15
Retail and corporate bank servicing	The Bank provides banking services to corporate and retail customers, including current accounts maintenance, overdrafts granting, foreign currency exchange operations, issue and servicing of credit cards. Fees for the current accounts maintenance are withdrawn from the customer's account on a monthly basis. The Bank establishes rates on banking services separately for retail and corporate customers on an annual basis.	Fees for the maintenance of bank accounts are recognized over the period of the service being provided. Fees for a transaction are recognized at the moment when the relevant transaction is performed.

Type of service	Types and terms of the obligations, that are to be fulfilled, including significant payment terms	Revenue recognition according to IFRS 15
	The fees for the currency exchange operations, the operations with foreign currency, overdrafts granting are withdrawn from the customer's account at the moment of the transaction is being performed. Fees for current maintenance are charged on the monthly basis at fixed rates, that are annually reviewed by the Bank.	
Investment bank servicing	The Bank provides services connected with the customer transactions with foreign currency. Fees for transactions are charged at the time of the transaction.	Amounts due from customers are recognized as trade receivables. Fees for a transaction are recognized at the moment when the relevant transaction is performed.

Recognition of dividend income

Dividend income from investments is recognized when the Bank's right to receive dividends has been established (provided there is a high probability that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

Recognition of lease income and expenses

The Bank's policy for recognition of lease income and expenses is disclosed in the Leases section of this note.

Recognition of trading income and expenses

Trading income and expenses are recognized in profit or loss as trading transactions are carried out. They include:
- income and expenses from the securities, measured at fair value through profit or loss;
- income and expenses from derivative financial instruments.

Recognition of Expenses on Contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits

According to the legislation of the Republic of Belarus the Bank makes contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits, whose activity is aimed at the protection of rights and legitimate interests of the individuals.

Financial assets and liabilities

The Bank recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the financial instrument. The financial assets and liabilities, purchased and sold on a ongoing basis, are recognized on a settlement date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities respectively on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized directly in profit or loss.

Financial assets and financial liabilities are set off and the net amount is reported in the statement of financial position only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expense is not offset in the income statement unless required or permitted by any accounting standard or corresponding interpretation, and is specifically disclosed in the accounting policies of the Bank.

Financial assets classification

On initial recognition, financial assets are classified as measured at amortized cost or at FVOCI or at FVTPL.
A financial asset is measured at amortized cost if it is not classified by the Bank as at FVTPL and if it meets both of the following conditions:

- the financial 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) on the principal amount outstanding.

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

- it 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 on the principal amount outstanding.

For debt financial instruments measured at FVOCI gains and losses are recognized in other comprehensive income except for the following items that are recognized in profit or loss in the same manner as for financial assets at amortized cost:

- interest income calculated using the effective interest rate method;
- expected credit losses and recovered impairment losses; and
- gains or losses from changes in exchange rates.

On derecognition of a debt financial asset measured at FVOCI accumulated profit or loss that were previously recognized in other comprehensive income are 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 for each investment separately.

For such equity instruments gains and losses are never reclassified into profit or loss and no impairment is recognized in profit or loss. Dividends are recognised in profit or loss unless they clearly represent a recovery of part of the initial cost of the investment, in which case they are recognised in other comprehensive income. Cumulative gains and losses recognised in other comprehensive income are transferred to retained earnings on disposal of an investment.

All other financial assets are classified as at FVTPL.

In addition, on initial recognition the Bank may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at FVOCI 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 is provided to management. The information considered by the Bank includes:

- 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 realising 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 how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered independently, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be 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 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 on initial recognition. Interest is defined as consideration for the time value of money, 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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion) on the outstanding principal, the Bank will consider the contractual terms of the financial instrument. This will include assessing whether the financial asset contains a contractual term that could change the time periods or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:
- contingent events that would change the amount and time periods of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets;
- features that modify consideration for the time value of money (e.g. periodic revision of interest rates).

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate following the change of key rate set by the National Bank. The borrowers have an option to either accept the revised rate or redeem the loan at par without significant penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that interest represents consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Thus, the Bank treats these loans as essentially those with a variable interest rate.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and deposit accounts with the National Bank of the Republic of Belarus in accordance with legislation requirements, with original maturity of up to 90 days, due from banks with original maturity of up to 90 days, which may be freely converted to a corresponding amount of cash within a short period of time, except for guarantee deposits and other restricted balances.

Mandatory cash reserves with the National Bank of the Republic of Belarus

Mandatory cash reserves with the National Bank of the Republic of Belarus are mandatory reserves deposited with the National Bank in accordance with the applicable legislation which are not available to finance day to day operations of the Bank. Hence, they are not considered as part of cash and cash equivalents.

Repurchase and reverse repurchase agreements

Repos and reverse repos are utilized by the Bank as an element of its liquidity management.

Repos transactions are accounted for as financing transactions. Financial assets sold under repos are retained in the Financial Statements and consideration received under these agreements is recorded as a financial liability collateralized by assets.

Assets purchased under reverse repos are recorded in the Financial Statements as cash placed on deposit which is collateralized by securities or other assets and are classified as due from banks and/or loans to customers.

The Bank enters into repurchase agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Belarus and other CIS countries, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on final settlement of the transaction.

The Bank ceases to recognize securities only when the risks and rewards of ownership are fully transferred.

Financial assets measured at fair value through profit or loss

Financial asset is classified as at fair value through profit or loss when the financial asset is either held for trading or is designated as at fair value through profit or loss at initial recognition.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term purchases and resale; or
- it is a derivative (except for derivatives that are financial guarantees or classified as effective hedging instruments).

Financial assets measured at fair value through profit or loss are stated at fair value, with any remeasurement recognized in profit or loss. Fair value is determined in the manner described in Note 36.

Derivative financial instruments

The Bank uses the following derivative financial instruments (derivatives): foreign currency forwards, forward securities contracts with open and fixed delivery date, precious metals swap contracts. These instruments are used by the Bank to manage its exposure to foreign exchange rate and price risks.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. As foreign currency forwards and precious metal swaps do not have an active market in the Republic of Belarus, their fair value is measured using the interest rates parity model. The resulting gains or losses are recognized in financial results.

Investment securities

Investment securities are debt investment securities measured at FVOCI and equity investments.

The fair value of investment securities denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the reporting date. Currency exchange differences recognized in profit or loss are calculated using the amortized cost of the monetary asset. Currency exchange differences on equity instruments, whose subsequent changes in fair value the Bank reflects in other comprehensive income, are recognized in other comprehensive income.

Loans to customers

Loans to customers include:

- loans to customers measured at amortized cost (Note 19). They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method; and
- net investments in finance lease (Note 19).

Financial assets impairment

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

- cash equivalents;
- due from the National Bank of the Republic of Belarus, banks and other financial institutions;
- financial assets that are debt instruments;
- net investment in finance leases;
- other financial assets;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Bank measures loss allowances at an amount equal to lifetime ECL, except for the following financial instruments, for which they are measured as 12-month ECL:

- low credit risk assets;
- other financial instruments (other than lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for receivables are always measured at an amount equal to lifetime ECLs.

The Bank's approach to financial assets impairment, significant increase of credit risk and the definition of default are disclosed in Note 38.

Measurement of ECLs

ECLs are a default probability-weighted estimation of credit losses. They are measured as follows:

- *financial assets that are not credit-impaired at the reporting date*: the present value of all cash shortfalls (i.e. the difference between the contractual cash flows due to the Bank and the cash flows that the Bank expects to receive: the present value of cash flows, calculated using the effective interest rate method (hereinafter, the "EIR"));
- *financial assets that are credit-impaired at the reporting date*: 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 that are due to the Bank if the commitment is drawn down by the borrower and the cash flows that the Bank expects to receive, if the commitment is drawn down; and
- *financial guarantee contracts*: the present value of the expected payments to reimburse the holder's credit losses less any amounts that the Bank expects to recover.

The expected credit losses model applied by the Bank is disclosed in Note 38.

Restructured financial assets

If the terms of a financial asset by agreement of the parties 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 derecognised, and ECL are measured as follows:

- if the expected restructuring does 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 results 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.

The information about the influence of financial assets' restructuring on the credit risk increase estimation and the estimation of the default customers is disclosed in Note 39.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI, and 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 presented in Note 39.
A loan the terms of which were renegotiated due to an adverse change of the borrower's financial condition is usually considered credit-impaired if there is no evidence that the risk of not receiving contractual cash flows has decreased significantly and there are no other indicators of impairment. Additionally, credit-impaired loans include retail loans overdue by more than 90 days.

Purchased or originated credit-impaired assets (POCI assets)

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

POCI assets include the following assets of the Bank:

– new financial assets provided by the Bank as part of a credit-impaired asset restructuring (replacement of a credit-impaired asset with another asset having a similar credit risk grade);
– assets that are originated upon derecognition of a financial asset due to a significant modification of contractual terms as part of credit-impaired financial assets restructuring;
– acquired credit-impaired financial assets.

Impairment allowance is not created for POCI assets on their initial recognition. Instead, the amount of lifetime expected credit losses is included into the EIR.

To calculate the EIR for acquired or originated credit-impaired financial assets expected cash flows are used taking into account the initial estimate of lifetime expected credit losses. The calculated amount of contractual cash flows of an asset is decreased by the amount of lifetime expected credit losses.

The resulting EIR is called credit risk adjusted EIR. On initial recognition of POCI assets (generally, these are originated assets) the fair value of such loans is determined based on the cash flows that are expected to be received by the Bank as a result of selling collateral and/or receiving cash flows.

Subsequently, expected credit losses for POCI assets are always measured at an amount equal to the lifetime expected credit losses. The amount of expected credit losses for such assets is equal to the amount of changes in the amount of the lifetime expected credit losses since initial recognition of the respective asset.

The amount of positive changes in the lifetime expected credit losses is recognized as impairment gains even if the amount of such changes exceeds the amount, if any, that was previously recognized within profit or loss as impairment loss.

Interest on POCI assets is charged to the amortized cost using the credit-adjusted EIR determined on the initial recognition of the asset.

Presentation of allowance for expected credit losses in the statement of financial position

The amount of expected credit losses allowance is presented in the statement of financial position as follows:

- *financial assets measured at amortized cost*: as a decrease of the gross carrying amount of such assets;
- *loan commitments and financial guarantee agreements:* generally, as a provision within the other liabilities in the statement of financial position;
- *where a financial instrument includes both a drawn and undrawn component, and the Bank cannot identify the ECL on the loan commitment component separately from those on the drawn component (drawn down loan commitment):* the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component (*drawn down loan commitment*). Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- *debt instruments measured at FVOCI:* loss allowance isn't recognised in the statement of financial position because the carrying amount of these assets is equal to their fair value. However, the loss allowance is disclosed and is recognised in the investment securities revaluation reserve.

Renegotiated loans

Where possible, the Bank strives to restructure loans rather than to collect the collateral. This may involve extending of the payment arrangements and the renegotiation of new loan conditions. If the financial instrument is not derecognized, once the terms have been renegotiated, any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write-offs

Loans and investment securities are written off (partially or in full) when they are reasonably considered to be uncollectible partially or in full. Usually this is the very case when the Bank determines that the borrower has no assets or sources of income that could generate cash flows sufficient to repay outstanding amounts subject to a write-off. The assets are assessed on an individual basis.

The recovery of previously written off amounts is included in "Impairment loss on financial assets" in the income statement.

Each case of the write-off assets is examined by the Bank on an individual basis.

Financial assets that are written off could still be subject to enforcement activities of the Bank in accordance with the Bank's procedures for collecting of amounts due.

Reclassification of financial assets and liabilities

Classification of financial assets after initial recognition does not change, except for that in the period following the period when the Bank changes its business-model concerning financial assets management.

Financial liabilities are not reclassified subsequent to their initial recognition.

Derecognition of financial assets

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Bank 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 derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

The cumulative gain/loss recognised in other comprehensive income in respect of equity investment securities designated by the Bank as at FVOCI is not recognised in 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 recognised as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of ownership 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 sale-and-repurchase transactions.

In transactions in which the Bank doesn't transfer substantially all of the risks and rewards of ownership of a financial asset and 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.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank assesses whether cash flows related to such modified asset significantly differ. If cash flows differ significantly (significant modification) the rights for contractual cash flows related to the original financial asset are considered to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised 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 recognized 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 as modification, if they result from existing contractual terms, e.g. changes in interest rates initiated by the Bank due to changes in the refinancing rate of the National Bank, if the loan agreement entitles the Bank to do so.

The Bank performs quantitative and qualitative assessment of whether the modification is significant, i.e. whether the cash flows related to the original financial asset differ significantly from those of the modified one or the new one.

The Bank performs quantitative and qualitative assessment of whether the modification is substantial, analyzes qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors.

If cash flows differ significantly, the rights for contractual cash flows related to the original financial asset are considered to have expired. Similarly, in performing this assessment the Bank acts in line with the requirements with regard to the derecognition of financial liabilities.

The Bank may determine that a modification is significant based on the following qualitative factors:

- change of the financial asset currency;
- change of the collateral type or other enhancements of the asset;
- change of terms of financial asset that lead to non-compliance with the SPPI criterion.

If cash flows are modified in consequence of the borrower's financial difficulties, then the objective of the modification is usually to maximise the recovery sum of the asset in accordance with of the original contractual terms rather than to originate (issue) a new asset with substantially different terms. If the

Bank plans to modify a financial asset in a way that would result in release of the part of the contractual cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortized cost or at FVOCI 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 asset and recognises 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 modification is caused by a financial distress of the borrower, the related profit or loss is presented in impairment losses. In other cases the related profit or loss is presented in interest income calculated using the effective interest rate method.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Financial liabilities

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

The Bank performs quantitative and qualitative assessment of whether modification is material analyzing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors. The Bank concludes that a modification is material based on the following qualitative factors:

- change of the financial liability currency;
- change of the collateral type or other enhancements of the liability;
- addition of a conversion feature;
- change of the financial liability subordination.

For the quantitative assessment the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of 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 recognised in profit or loss. For floating-rate financial liabilities, 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 and fees incurred within the modification are recognised 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.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at their nominal value, considering adjustment in accordance with IAS 29 "Financial Reporting in a Hyperinflationary Economy" applied before 1 January 2015.

Repurchase of the Bank's own equity instruments is recognized as a deduction of the equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

Financial liabilities, including due to banks and due to customers, debt securities issued by the Bank, subordinated loan and debt, other borrowings and other liabilities, are initially measured at fair value, net of overhead costs.

Financial liabilities are subsequently measured at amortized cost. Interest expense is calculated using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

Derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Bank performs trading transactions with derivatives to hedge its risks, these transactions do not meet the hedging transactions accounting criteria.

Leases

At inception of a contract, the Bank shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to classify a lease, the Bank makes an assessment of the overall risk whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If so, then the lease is classified as a finance lease; otherwise the lease is classified as an operating lease.

At the commencement date, the lease liabilities where the Bank acts as a lessee are measured at present value of the future lease payments. The lease payments shall be discounted using the interest rate the lessee shall use in order to raise additional funds to acquire an asset of similar value under similar economic conditions.

The lease liability comprises the following payments:

- fixed lease payments less any lease incentives receivable;

- variable lease payments that depend on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Bank as a lessee remeasures the carrying amount of the lease liability in case certain events occur (change in the lease term, interest rate change, that can modify the future lease payments).

The Bank as a lessor

Finance lease receivables are recognized as loans to customers in the amount of the Bank's net investment in finance leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the Bank's net investment in finance leases.

Income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Bank as a lessee

The Bank’s policy on recognition and subsequent accounting of the right-of-use assets and lease liabilities is disclosed in the sections “Right-of-use assets” and “Financial liabilities” of this Note, respectively.

Lease payments, related to short-term leases or leases for which the underlying asset is of low value,the Bank recognizes as an expense in Income statement on a straight-line basis over the lease term.

Precious metals

Gold and other precious metals are recorded at fair value. To determine the fair value of assets denominated in precious metals the Bank uses the National Bank’s bid prices effective as at the reporting date (considering their nominal in grams) which approximate fair values being discounted using London Bullion Market rates. To determine the value of the Bank’s liabilities denominated in precious metals and recorded in impersonal metal accounts the Bank uses the National Bank’s accounting prices. Changes in prices are recognized in net gain/(loss) on operations with precious metals.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any recognized impairment loss (if any). Cost of property and equipment acquired before 1 January 2015 is restated for inflation.

Depreciation is recognized so as to write off the cost of property and equipment (other than construction in progress items) less their residual values over their useful lives using the straight-line basis. The estimated useful life, carrying values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. In these Financial Statements the depreciation is calculated on a straight-line basis at the following annual rates:

	Usefull life
Buildings and constructions	from 8 to 125 years
Computer equipment, furniture and other equipment	from 1 to 110 years
Vehicles	from 6 to 15 years

Construction in progress items for production or administrative purposes are carried at construction cost restated for inflation, less any recognized impairment loss. Cost of construction includes professional fees. Such property and equipment items are classified to appropriate categories of property and equipment when completed or ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment of the Bank includes a separate category of corporate collection of the works of art which are not subject to depreciation because of their unique nature and significant estimated useful lives.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on sale or other disposal of an item of property and equipment is determined as the difference between the sale price and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at historical cost less accumulated amortization and accumulated impairment losses (if any). Cost of intangible assets acquired before 1 January 2015 is restated for inflation.

Amortization is recognized on a straight-line basis over their estimated useful lives. All Intangible assets have definite useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Amortization of intangible assets is calculated on a straight-line basis at the following annual rates:

	Usefull life
Intangible assets	from 1 to 15 years

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds on disposal and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Investment property

Investment property is an object of property, which is not occupied by the Bank, held to earn rental income or for capital appreciation, or both. Investment property is initially recognised at its purchase cost, including transaction costs.

Subsequently investment property is carried at historical cost less accumulated depreciation and any recognized impairment loss. Depreciation is calculated on a straight-line basis over the useful live of an object.

Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversals of impairment losses are immediately recognized in profit or loss.

Taxation

Income tax expense represents the amount of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other reporting periods and does not include items that are never taxable or deductible. Current income tax liability is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax accounting data used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is not recognized for the following temporary differences:

- differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, and are expected to be in effect during the period when the tax asset is realized or the liability is settled.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, as of the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred income taxes are recognized through profit or loss, except when they relate to items that are recognized directly in other comprehensive income or directly in equity, in which case, the current and deferred income taxes are also recognized directly in other comprehensive income or in equity respectively.

Operating taxes

In the Republic of Belarus, where the Bank operates, there are also various other tax requirements applied to the Bank’s activities, other than income tax. These taxes are included as a component of operating expenses in the income statement.

Provisions for future expenses

Provisions for future expenses are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that the Bank will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision for future expenses is the best estimate of the consideration required to settle the present obligations at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision for future expenses is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle obligations are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for future expenses recognized by the Bank include provisions for unused vacations of employees.

Contingencies

Commitments and contingent liabilities are not recognized in the statement of financial position but are disclosed in the Financial Statements unless the outflow of economic benefits is remote. Contingent assets are not recognized but disclosed in the Financial Statements when an inflow of economic benefits is probable.

Financial guarantee contracts and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value, with their initial fair value being amortized over the life of such guarantee or commitment. Subsequently, they are measured at the higher of the amortized amount initially recognized and the loss allowance amount.

The Bank has no loan commitments measured at FVTPL.

For other loan commitments the Bank recognizes a loss allowance according to the approach described in Note 39. Liabilities arising from financial guarantees and loan commitments are included within the Other liabilities line item.

Functional currency

The functional currency of these Financial Statements is the national currency of the Republic of Belarus – Belarusian Rouble.

Foreign currency

In preparing the Financial Statements of the Bank, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange effective at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates effective at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates effective at the date when the fair value was determined. Non-monetary items in a foreign currency that are measured at historical cost are not restated. Foreign exchange differences that arise during settlements related to monetary items or during translation of monetary items at rates other than those at which they were translated upon initial recognition during the period or in the previous Financial Statements are recognized in profit or loss in the period in which they occurred, except for the currency exchange differences on equity finance assets, measured at FVOCI.

The exchange rates at the year-end used by the Bank in the preparation of the Financial Statements are as follows:

	31 December 2020	**31 December 2019**
USD/BYN	2.5789	2.1036
EUR/BYN	3.1680	2.3524
100 RUB/BYN	3.4871	3.4043

Collateral

The Bank obtains collateral in respect of customer liabilities. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

The Bank examines the property as a collateral against fulfillment of obligations under the loan agreement (in case of customer default the property that is difficult to sell is not considered to be a colleteral).

On the reporting date the Bank reviews the estimated cost of the collateral, as it is used as input data when calculating expected credit losses as part of the credit risk management process.

The collateral received as a back-up for the fulfillment of the obligations on customer loans is classified into a category corresponding to the intentions of the Bank: as a property and equipment to be used in production activities or as non-current assets held for sale. The additional information concerning collateral is disclosed in the Note 19.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition. The Bank must complete the sale of the asset within one year from the date the asset is classified as held for sale. The Bank classifies assets received through repossession under default loan agreements into this category, unless the Bank is going to use the repossessed assets in its investing and operating activities.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their book value at the classification date and fair value less costs to sell.

Operating segments

An operating segment is a component that represents operational activity implying the generation of profit or the incurrence of expenses, which has observable financial data related to it, that is regularly assessed by the Bank's management in the process of allocating resources and analyzing financial performance. The segments' operation analysis is represented in Note 36.

3. SIGNIFICANT ASSUMPTIONS AND KEY SOURCES OF MEASUREMENT UNCERTAINTY

The preparation of Financial Statements according to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of measurement uncertainty and critical judgments in applying accounting policies is described in the following notes:

Use of estimates and judgments

In preparing these Financial Statements, the Bank has made a professional judgement, assumptions and estimates that affect the application of the Bank's accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgments

Information about judgements made in applying accounting policies that have the most significant impact on the amounts recognised in the Financial Statements is disclosed in this and other notes:

- classification of financial assets: assessment of the business model in which a financial asset is held and assessment of whether the contractual terms of a financial asset include solely payments of principal and interest.
- information on establishing the criteria for determining whether credit risk on the financial asset 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 is presented in Note 38.

Assumptions and measurement uncertainty

Information about assumptions and measurement uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2020 includes:

Impairment of financial instruments

The following assumptions regarding the impairment of financial instruments are presented in Note 39: assessing whether the credit risk of an asset has increased significantly since initial recognition; and incorporating forward-looking information into the measurement of ECLs.

Measurement of fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability under the condition of an ordinary transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. When measuring the fair value of an asset or liability the Bank considers characteristics of the asset or liability if the market participants would take those characteristics in pricing the asset or liability as at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 of the fair value hierarchy (Note 37). The levels reflect the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

When the level of the fair value hierarchy per the best estimate as at the reporting date differs from the level that was previously assigned to assets or liabilities transfer into and out of the level occurs. The date of transfer is determined as the date of the event or change in circumstances that caused the transfer.

Measurement of fair value of financial derivatives

Derivative financial instruments represented by forwards do not have an active market and are measured using the interest rates parity model. Interest rates on financial instruments denominated in the same currency and with relevant maturity period are used as such rates.

Fair value of claims/commitments to receive/deliver cash is determined as a cash flow calculated based on the terms and conditions of the contract.

Derivative financial instruments represented by swap contracts with precious metals are measured at fair value, which is calculated as net result between fair value of the claim and obligation.

4. NEW STANDARDS AND INTEPRETATIONS, IN FORCE AND NOT YET EFFECTIVE

The following amendments to IFRS, that are effective for the subsequent reporting periods, beginning from 1 January 2020, didn't have any significant impact on the finance statements of the Bank:

- amendments to Conceptual Framework for Financial Reporting;
- definition of «business» (Amendments to IFRS 3);
- definition of material (Amendments to IAS 1 and IAS 8);
- Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7);
- extension of the temporary relief from the application of IFRS 9 (Amendments to IFRS 4).

A number of standards and amendments to standards become effective for annual periods beginning after 1 January 2020, with early application permitted. However, the Bank does not plan their early adoption in preparation of the financial statements as they are not expected to have a material impact on the financial statements:

- Covid-19-related rent concessions (Amendments to IFRS 16);
- sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28) (the effective date is postponed for an indefinite period);
- classification of liabilities as current or non-current (Amendments to IAS 1);
- onerous contracts – the costs of fulfilling a contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended use (Amendments to IAS 16);
- references to Conceptual Framework for Financial Reporting (Amendments to IFRS 3);
- IFRS 17 «Insurance contracts» and Amendments to IFRS 17 «Insurance contracts».

5. NET INTEREST INCOME

Net interest income comprises:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income:		
Interest income calculated using the effective interest rate method:		
Interest on loans to customers	305,129	296,885
Interest on investment securities	23,666	34,304
Interest on due from banks and other financial institutions	6,623	5,616
Interest income on REPO transactions	439	230
Other interest income	1,612	306
Total interest income calculated using the effective interest rate method	337,469	337,341
Other interest income:		
Interest on securities at fair value through profit or loss	9,706	12,718
Interest income on net investments in finance lease	1,899	2,487
Total other interest income	11,605	15,205
Total interest income	**349,074**	**352,546**
Interest expenses:		
Interest expenses on financial instruments recorded at amortized cost:		
Interest on due to customers	89,588	100,896
Interest on due to banks and other financial institutions, loans from the National Bank of the Republic of Belarus	55,289	48,506
Interest on subordinated debts	11,914	11,445
Interest on debt securities issued	10,355	5,669
Interest expenses on REPO transactions	496	1,039
Interest expenses on lease liabilities	54	98
Other interest expenses	2	2,788
Total interest expenses on financial liabilities recorded at amortized cost	**167,698**	**170,441**
Net interest income	**181,376**	**182,105**

6. ALLOWANCE FOR EXPECTED CREDIT LOSSES

The movements in expected credit losses allowance for financial assets, financial guarantees and other contingent liabilities for the years ended 31 December 2020 and 31 December 2019 are as follows:

	Loans to customers	Due from the National Bank of the Republic of Belarus, banks and other financial institutions	Invest-ment secu-rities	Other assets	Guarantees and other contin-gencies	Total
As at 31 December 2018	**100,799**	**-**	**6,682**	**6,426**	**2,171**	**116,078**
(Recovery)/charge of allowance	8,605	-	2,156	57	(277)	10,541
Repayment against previously created allowance	7,459	-	-	-	-	7,459
Write-off of assets	(12,570)	-	-	(3,659)	-	(16,229)
Unwinding of discount	5,782	-	-	-	-	5,782
Currency exchange differences	(285)	-	-	-	-	(285)
As at 31 December 2019	**109,790**	**-**	**8,838**	**2,824**	**1,894**	**123,346**
Charge/(recovery) of allowance	66,646	103	1,643	(966)	311	67,737
Repayment against previously created allowance	9,233	-	-	-	-	9,233
Write-off of assets	(24,941)	-	-	(753)	-	(25,694)
Unwinding of discount	2,035	-	-	-	-	2,035
Currency exchange differences	21,988	-	2,331	-	-	24,319
As at 31 December 2020	**184,751**	**103**	**12,812**	**1,105**	**2,205**	**200,976**

The amount of charge / (recovery) of allowance in the note “Allowance for expected credit losses” is reduced by the amount of repayment of previously created allowance (BYN 9,233 thousand and BYN 7,459 thousand in 2020 and 2019 years respectively) and by the amount of unwinding of discount (BYN 2,035 thousand and BYN 5,782 thousand in 2020 and 2019 years respectively). The listed amounts don’t influence the expected credit losses on financial assets as at 31 December 2020 and 31 December 2019.

The movements in gross carrying amount and the credit loss allowance of loans to corporate customers and investment securities by stages are disclosed in Notes 19 and 20 respectively.

The movements in allowance for financial assets, financial guarantees and other contingent liabilities with a breakdown by the expected credit losses measurement stages are disclosed in Notes 24 and 34 respectively.

7. NET GAIN FROM FOREIGN EXCHANGE OPERATIONS

Net gain from foreign exchange operations comprises:

	Year ended 31 December 2020	Year ended 31 December 2019
Dealing, net	27,329	11,991
Translation differences, net	25,917	1,079
Total net gain from foreign exchange operations	**53,246**	**13,070**

8. NET (LOSS) / GAIN FROM TRADING OPERATIONS

Net (loss)/ gain from trading operations is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Net (loss) / gain on derivative financial instruments	(33,832)	21,863
Net (loss) / gain on securities at fair value through profit or loss	(3,308)	13,236
Total net (loss) / gain from trading operations	**(37,140)**	**35,099**

9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Fee and commission income:		
Bank payment card operations	56,111	46,096
Settlement and cash operations with clients	30,542	30,980
Documentary operations	1,750	2,319
Foreign currency operations	67	415
Other	614	872
Total fee and commission income	**89,084**	**80,682**
Fee and commission expenses:		
Bank payment card operations	15,162	11,922
Maintenance of bank accounts	1,307	2,545
Foreign currency operations	1,035	473
Payments accepted in favor of the bank	366	298
Securities operations	191	143
Documentary operations	162	138
Other	575	360
Total fee and commission expenses	**18,798**	**15,879**

10. NET LOSS ON OPERATIONS WITH PRECIOUS METALS

Net gain on operations with precious metals comprises:

	Year ended 31 December 2020	Year ended 31 December 2019
Financial result from operations with precious metals	514	297
Revaluation of precious metals balance sheet items and impersonal metal accounts	(2,406)	(4,729)
Total net loss on operations with precious metals	**(1,892)**	**(4,432)**

11. NET PROFIT ARISING FROM THE DERECOGNITION OF FINANCIAL ASSETS MEASURED AT AMORTISED COST

During the year, ended 31 December 2020, in order to manage the risks and profitability of corporate and retail business operations, the Bank conducted a single transaction on the sale of pools of car loans to individuals under the assignment of claims and on the sale of pools of loans to corporate customers. Net profit arising from the derecognition of these financial assets, measured at amortised cost, amounted to BYN 1,576 thousand.

During the year, ended 31 December 2019, the Bank for the first time conducted transactions on the sale of pools of car loans to individuals, under assignment of claims. As at 31 December 2019 the net profit, arising from the derecognition of these financial assets, measured at amortised cost, amounted to BYN 3,369 thousand.

Additional information about the transactions mentioned above is disclosed in the Note 19.

12. OTHER INCOME

Other income comprises the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Fines and penalties received	4,600	2,940
Fees, received from payment systems	2,323	2,332
Lease payments	1,718	1,420
Settlement of tax payments	327	337
Income from disposal of non-current assets held for sale and other property	135	944
Dividends	116	183
Income from disposal of property, equipment, intangible and right-of-use assets	17	-
Other income	1,679	9,398
Total other income	**10,915**	**17,554**

As at 31 December 2019 the other income includes the transactions with related parties at the amount of BYN 8,759 thousand (Note 35).

13. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)
Payroll expenses	46,557	53,064
Depreciation and amortization of property and equipment, intangible and right-of-use assets, investment property	26,283	21,035
Expenses for services of automated interbank and international settlement system	25,211	19,333
Mandatory social insurance contributions	13,235	14,191
Expenses on maintenance of banking software	8,540	6,279
Contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	7,351	7,485
Remuneration to the members of the Board of Directors and Revision Committee	5,312	9,473
Taxes other than income tax	4,514	4,354
Stationery and office expenses	3,542	3,634
Charity and sponsorship expenses	3,316	12,700
Legal fees	3,085	3,043
Telecommunications expenses	2,465	2,195
Insurance expenses	2,316	1,613
Rent and property and equipment maintenance	2,241	2,357
Advertising costs	1,808	2,121
Information and advisory services	1,337	1,142
Security expenses	1,288	1,246
Vehicles maintenance and fuel expenses	685	818
Disposal of property, equipment, intangible and right-of-use assets	-	994
Other expenses	6,795	7,329
Total operating expenses	**165,881**	**174,406**

14. INCOME TAX

The Bank measures and records its current income tax payable based on its accounting data in accordance with the tax regulations of the Republic of Belarus where the Bank operates. These data may differ from IFRS.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes. Major sources of non-deductible expenses include non-deductible payments to employees, some insurance and charity payments. Major amounts of non-taxable income relate to operations with securities issued by the Belarusian government, companies and banks.

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2020 and 31 December 2019 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax and book differences for certain assets and liabilities.

The Bank calculates current income tax based on the statutory tax accounts maintained and prepared in accordance with the Belarusian statutory tax regulations. During the periods ended 31 December 2020 and 31 December 2019 the tax rate for the Bank was 25%.

Tax effect of temporary differences and movement of deferred taxes as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	Changes in deferred taxes recognized in other comprehend-sive income	Changes in deferred taxes recognized in profits or losses	31 December 2019	Changes in deferred taxes recognized in other comprehend -sive income	Changes in deferred taxes recognized in profits or losses	31 December 2018
Property, equipment,intangible assets, right-of-use assets	10,664	-	4,610	6,054	-	7,136	(1,082)
Other liabilities	1,007	-	(487)	1,494	-	1,035	459
Other assets	826	-	(396)	1,222	-	(802)	2,024
Securities at fair value through profit or loss	417	-	275	142	-	(1,277)	1,419
Debt securities issued	175	-	334	(159)	-	(159)	-
Investment property	1	-	1	-	-	-	-
Non-current assets held for sale	-	-	(47)	47	-	(6)	53
Due from banks and other financial institutions	9	-	490	(481)	-	58	(539)
Derivative financial instruments	(35)	-	56	(91)	-	(812)	721
Due to banks and other financial institutions	(608)	-	(159)	(449)	-	267	(716)
Expected credit losses allowance for contingent liabilities	(811)	-	(242)	(569)	-	(218)	(351)
Investment securities	(2,436)	(771)	-	(1,665)	(581)	-	(1,084)
Loans to customers	(5,122)	-	(4,514)	(608)	-	(3,313)	2,705
Deferred tax assets	**4,087**	**(771)**	**(79)**	**4,937**	**(581)**	**1,909**	**3,609**

The balance between income tax expenses and accounting profit for the years ended 31 December 2020 and 31 December 2019 is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit before tax	42,087	127,443
	25%	25%
Tax at the statutory tax rate	10,522	31,861
Tax effect of permanent differences:		
Tax effect of income on securities tax consessional under legislation	(17,034)	(16,729)
Tax effect of tax-deductible expenses	7,368	9,988
The effect of changes in the taxable base of fixed assets due to revaluation carried out for tax purposes	279	(6,813)
Tax effect of other permanent differences	1,217	(2,402)
Income tax expense	**2,352**	**15,905**
Current income tax expenses	2,273	17,814
Charge/(recovery) of deferred income tax recognized in profit or loss	79	(1,909)
Income tax expense	**2,352**	**15,905**

15. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash at the correspondent accounts in the National Bank of the Republic of Belarus	304,698	334,098
Correspondent accounts and demand deposits	157,177	130,823
Cash on hand	88,295	64,807
Deposits with banks and other financial institutions with original maturity of up to 90 days	5,159	26,016
Term deposits from the National Bank of the Republic of Belarus with original maturity of up to 90 days	-	120,175
Total cash and cash equivalents	**555,329**	**675,919**

The following table shows information on the credit quality of cash equivalents:

	12-month ECLs	31 December 2020	12-month ECLs	31 December 2019
International rating of AA+	18,346	18,346	6,098	6,098
International rating of AA-	45	45	16,570	16,570
International rating of A+	14,123	14,123	12,571	12,571
International rating of A	1,464	1,464	517	517
International rating of A-	36,137	36,137	211	211
International rating of BBB+	279	279	17,794	17,794
International rating of BBB-	2,691	2,691	7,840	7,840
International rating of BB+	21,773	21,773	9,778	9,778
International rating of B	349,208	349,208	509,602	509,602
International rating of B-	22,968	22,968	9,135	9,135
International rating of CCC+	-	-	20,996	20,996
	467,034	**467,034**	**611,112**	**611,112**
Less allowance for losses	-	-	-	-
Total cash and cash equivalents	**467,034**	**467,034**	**611,112**	**611,112**

As at 31 December 2020 and 31 December 2019 the item includes placements with the National Bank of the Republic of Belarus that exceeds 10% of the Bank's equity, which represents a significant concentration (55% and 49% of the total amount of the item respectively).

Information on the Bank’s methodology for the calculation of expected credit losses on cash equivalents is presented in Note 39.

16. SECURITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Securities at fair value through profit or loss comprise the following trading securities:

	Credit rating as at 31 December 2020	Interest to nominal	31 December 2020	Credit rating as at 31 December 2019	Interest to nominal	31 December 2019
Bonds:						
Eurobonds of Development Bank of the Republic of Belarus	B	6.75%	64,013	B	6.75%	45,261
Eurobonds of the Republic of Belarus	B	6,20%-7,63%	25,301	-	-	-
Bonds of Eurasian Development Bank	-	-	-	BBB+	4.77%-7.75%	158,100
U.S. Treasury bonds	-	-	-	AAA	2.00%	10,610
Total securities at fair value through profit or loss			**89,314**			**213,971**

Approaches to fair value measurement and the analysis by fair value hierarchy levels are presented in Note 37.

17. DERIVATIVE FINANCIAL INSTRUMENTS

As at 31 December 2020, derivative financial instruments comprise:

	Nominal amount (in units of purchased currency)	Fair value	
		Assets	**Liabilities**
Foreign currency forward contracts:			
USD/RUB	USD 45,500,000	431	(79)
EUR/USD	EUR 2,000,000	1	-
USD/EUR	USD 41,692,827	-	(212)
Total foreign currency forward contracts		**432**	**(291)**

	Nominal amount	Fair value	
		Assets	**Liabilities**
Forward contracts with a fixed delivery date:			
- governmental bonds	USD 981,741	49	-
- debt securities issued	BYN 26,146,786	-	(350)
Total forward contracts		**49**	**(350)**
Total derivative financial instruments		**481**	**(641)**

As at 31 December 2019, derivative financial instruments comprise:

	Nominal amount (in units of purchased currency)	Fair value	
		Assets	**Liabilities**
Foreign currency forward contracts:			
USD/EUR	USD 251,943,790	424	-
RUB/EUR	RUB 2,769,074,000	63	(42)
USD/RUB	USD 17,000,000	-	(44)
Total foreign currency forward contracts		**487**	**(86)**

	Nominal amount (weight in grams of purchased metal)	Fair value	
		Assets	**Liabilities**
Precious metals swap contracts:			
XAU/USD	XAU 68,693	349	-
XAU/EUR	XAU 15,419	227	-
XAU/BYN	XAU 58,804	88	(3)
Total precious metals swap contracts		**664**	**(3)**
Total derivative financial instruments		**1,151**	**(89)**

18. DUE FROM THE NATIONAL BANK OF THE REPUBLIC OF BELARUS, BANKS AND OTHER FINANCIAL INSTITUTIONS

Due from the National Bank of the Republic of Belarus, banks and other financial institutions are represented as follows:

	31 December 2020	31 December 2019
Mandatory cash reserves with the National Bank of the Republic of Belarus	23,027	34,225
Funds pledged as a collateral	10,466	2,072
Less allowance for losses	(103)	-
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	**33,390**	**36,297**

The following table shows information about the credit quality of amounts due from the National Bank, banks and other financial institutions:

	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	31 December 2020	12-month ECLs	31 December 2019
International rating of AA	10,137	-	10,137	1,855	1,855
International rating of A	129	-	129	105	105
International rating of B	23,027	-	23,027	34,225	34,225
International rating of B-	-	-	-	112	112
International rating of CCC-	-	200	200	-	-
	33,293	**200**	**33,493**	**36,297**	**36,297**
Less allowance for losses	(5)	(98)	(103)	-	-
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	**33,288**	**102**	**33,390**	**36,297**	**36,297**

Information about the Bank's methodology of calculating expected credit losses for amounts due from the National Bank, banks and other financial institutions is disclosed in Note 39.

19. LOANS TO CUSTOMERS

Loans to customers are represented as follows:

	31 December 2020	31 December 2019
Loans issued	3,063,053	3,419,273
Net investments in finance lease	14,991	18,256
	3,078,044	3,437,529
Less allowance for losses	(184,751)	(109,790)
Total loans to customers	**2,893,293**	**3,327,739**

The table below summarizes the information on the loans by types of borrowers:

	31 December 2020	31 December 2019
Loans to corporate customers	2,441,236	2,760,469
Less allowance for impairment losses	(169,457)	(100,058)
Total corporate loans less allowance for impairment losses	**2,271,779**	**2,660,411**
Loans to individuals	636,808	677,060
Less allowance for impairment losses	(15,294)	(9,732)
Total loans to individuals less allowance for impairment losses	**621,514**	**667,328**

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2020 and 31 December 2019 are disclosed in Note 6.

As at 31 December 2020, the Bank provided loans to six customers totaling BYN 619,049 thousand before allowance for impairment losses where the debt of each borrower individually exceeded 10% of the Bank's equity.

As at 31 December 2019, the Bank provided loans to seven customers totaling BYN 722,021 thousand before allowance for impairment losses where the debt of each borrower individually exceeded 10% of the Bank's equity.

As at 31 December 2020 loans to corporate customers in foreign currency with a fair value of BYN 452,603 thousand and in Belarusian rubles with a fair value of BYN 86,048 thousand were pledged as collateral for the Bank's loan commitments (Note 25).

Retail portfolio comprises the following products:

	31 December 2020	31 December 2019
Car loans	366,812	347,073
Payment cards	175,948	198,614
Loans on real estate purchase	66,655	72,838
Delay consumer loans	20,846	52,376
Consumer loans	6,389	6,036
Other	158	123
	636,808	677,060
Less allowance for losses	(15,294)	(9,732)
Total loans to individuals	**621,514**	**667,328**

Delay consumer loans represent a program according to which individuals pay for the consumer goods in a number of stores participating in the program.

During the year, ended 31 December 2020 the Bank sold several pools of car loans to individuals totaling BYN 21,284 thousand under assignment of claims and a part of corporate clients loan portfolio totaling BYN 85,455 thousand.

At the end of 2019 the Bank initiated several transactions totaling BYN 108,962 thousand on the sale of pools of car loans to individuals under assignment of claims.

The aforementioned operations meet the criteria of termination of financial assets recognition. The contractual counterparties are not under the Bank's control.

The Bank considers that the car loan portfolio meets the criteria of the business model whose objective is to hold the assets in order to collect contractual cash flows, as the amount of operations on selling of loans were not material and were not carried out on a permanent basis.

The information about the net profit from the termination of recognition of loans, mentioned above, is disclosed in Note 11.

The following table shows information on the credit quality of loans to corporate clients:

	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for assets that are credit-impaired	31 December 2020
Loans to corporate customers				
Bank's risk-class of A*	695	-	-	695
Bank's risk-class of B*	273,637	143,608	-	417,245
Bank's risk-class of C*	248,309	723,519	-	971,828
Bank's risk-class of E*	33,066	528,196	-	561,262
Bank's risk-class of D*	-	-	263,710	263,710
Not rated*	173,851	32,112	5,542	211,505
Net investments in finance lease, corporate customers				
Bank's risk-class of B*	1,962	-	-	1,962
Bank's risk-class of C*	34	8,607	-	8,641
Bank's risk-class of E*	-	2,354	-	2,354
Bank's risk-class of D*	-	-	2,021	2,021
Not rated*	13	-	-	13
Total loans to corporate customers	**731,567**	**1,438,396**	**271,273**	**2,441,236**
Less allowance for losses	(3,227)	(43,705)	(122,525)	(169,457)
Total loans to corporate customers	**728,340**	**1,394,691**	**148,748**	**2,271,779**

	12-month ECLs	Lifetime ECLs for assets that are not credit-impaired	Lifetime ECLs for assets that are credit-impaired	31 December 2019
Loans to corporate customers				
Bank's risk-class of A*	72	-	-	72
Bank's risk-class of B*	767,176	54,618	-	821,794
Bank's risk-class of C*	978,752	459,052	-	1,437,804
Bank's risk-class of E*	105,967	37,876	-	143,843
Bank's risk-class of D*	-	-	142,327	142,327
Not rated*	183,078	4,401	8,894	196,373
Net investments in finance lease, corporate customers				
Bank's risk-class of B*	314	-	-	314
Bank's risk-class of C*	3,491	946	-	4,437
Bank's risk-class of E*	-	11,304	-	11,304
Bank's risk-class of D*	-	-	2,200	2,200
Not rated*	1	-	-	1
Total loans to corporate customers	**2,038,851**	**568,197**	**153,421**	**2,760,469**
Less allowance for losses	(6,180)	(4,968)	(88,910)	(100,058)
Total loans to corporate customers	**2,032,671**	**563,229**	**64,511**	**2,660,411**

**The grouping of corporate customers by risk-classes is presented in Note 39.*

As at 31 December 2020 the loans to corporate customers of the credit quality "Not rated" include the overdue amounts totaling BYN 1,236 thousand overdue over 30 days, BYN 4,360 thousand overdue over 90 days (as at 31 December 2019 – BYN 350 thousand overdue over 30 days and BYN 5,069 thousand overdue over 90 days).

The following table discloses the changes in gross carrying amount and the credit loss allowance of loans to corporate customers by stages for the years, ended 31 December 2020 and 31 December 2019:

	Stage 1 (12-months ECL)	Stage 2 (Lifetime ECL for assets that are not credit-impaired)	Stage 3 (Lifetime ECL for credit-impaired assets)	Total
Gross carrying amount				
As at 31 December 2019	**2,035,045**	**555,947**	**151,221**	**2,742,213**
Transfer to 12-months ECL	773,689	(768,966)	(4,723)	-
Transfer to lifetime ECL, not credit-impaired assets	(1,860,066)	1,876,723	(16,657)	-
Transfer to lifetime ECL, credit-impaired assets	(15,083)	(34,822)	49,905	-
Newly originated or purchased financial assets	711,471	-	-	711,471
Derecognised financial assets	(85,455)	-	-	(85,455)
Write-off of financial assets against allowance created	-	-	(13,539)	(13,539)
Unwinding of discount	-	-	1,942	1,942
Currency exchange differencies	142,375	278,567	52,545	473,487
Other changes*	(972,418)	(480,014)	48,558	(1,403,874)
As at 31 December 2020	**729,558**	**1,427,435**	**269,252**	**2,426,245**
Credit loss allowance				
As at 31 December 2019	**6,169**	**4,746**	**87,881**	**98,796**
Transfer to 12-months ECL	13,204	(11,077)	(2,127)	-
Transfer to lifetime ECL, not credit-impaired assets	(11,257)	18,949	(7,692)	-
Transfer to lifetime ECL, credit-impaired assets	(231)	(1,268)	1,499	-
Newly originated or purchased financial assets	6,346	-	-	6,346
Derecognised financial assets	(323)	-	-	(323)
Write-off of financial assets against allowance created	-	-	(13,539)	(13,539)
The amount of repaid debts, previously written-off	-	-	5,712	5,712
Unwinding of discount	-	-	1,942	1,942
Currency exchange differencies	1,927	3,888	16,049	21,864
Net change of ECL	(12,612)	28,263	31,689	47,340
As at 31 December 2020	**3,223**	**43,501**	**121,414**	**168,138**
Gross carrying amount				
As at 31 December 2018	**1,975,138**	**402,320**	**214,378**	**2,591,836**
Transfer to 12-months ECL	440,644	(431,711)	(8,933)	-
Transfer to lifetime ECL, not credit-impaired assets	(635,076)	673,813	(38,737)	-
Transfer to lifetime ECL, credit-impaired assets	(13,623)	(11,867)	25,490	-
Newly originated or purchased financial assets	1,213,307	-	-	1,213,307
Write-off of financial assets against allowance created	-	-	(4,130)	(4,130)
Unwinding of discount	-	-	5,703	5,703
Currency exchange differencies	(33,569)	(9,171)	(2,494)	(45,234)
Other changes *	(911,776)	(67,437)	(40,056)	(1,019,269)
As at 31 December 2019	**2,035,045**	**555,947**	**151,221**	**2,742,213**
Credit loss allowance				
As at 31 December 2018	**9,236**	**3,378**	**79,401**	**92,015**
Transfer to 12-months ECL	5,418	(3,157)	(2,261)	-
Transfer to lifetime ECL, not credit-impaired assets	(2,246)	8,348	(6,102)	-
Transfer to lifetime ECL, credit-impaired assets	(105)	(459)	564	-
Newly originated or purchased financial assets	23,767	-	-	23,767
Write-off of financial assets against allowance created	-	-	(4,130)	(4,130)
The amount of repaid debts,	-	-	2,640	2,640

	Stage 1 (12-months ECL)	Stage 2 (Lifetime ECL for assets that are not credit-impaired)	Stage 3 (Lifetime ECL for credit-impaired assets)	Total
previously written-off				
Unwinding of discoun	-	-	5,703	5,703
Currency exchange differencies	(165)	31	(94)	(228)
Net change of ECL	(29,736)	(3,395)	12,160	(20,971)
As at 31 December 2019	**6,169**	**4,746**	**87,881**	**98,796**

**Including the repayment of principal and interest, other changes*

The following table discloses the changes in gross carrying amount and the credit loss allowance of net investments in finance lease to corporate customers by stages for the years, ended 31 December 2020 and 31 December 2019:

	Stage 1 (12-months ECL)	Stage 2 (Lifetime ECL for assets that are not credit-impaired)	Stage 3 (Lifetime ECL for credit-impaired assets)	Total
Gross carrying amount				
As at 31 December 2019	**3,806**	**12,250**	**2,200**	**18,256**
Transfer to 12-months ECL	1,244	(1,244)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(2,949)	2,949	-	-
Newly originated or purchased financial assets	86	-	-	86
Currency exchange differencies	20	109	20	149
Other changes *	(197)	(3,104)	(199)	(3,500)
As at 31 December 2020	**2,010**	**10,960**	**2,021**	**14,991**
Credit loss allowance				
As at 31 December 2019	**11**	**222**	**1,029**	**1,262**
Transfer to 12-months ECL	8	(8)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(79)	79	-	-
Transfer to lifetime ECL, credit-impaired assets	(1)	-	1	-
Currency exchange differencies	-	17	17	34
Net change of ECL	65	(106)	64	23
As at 31 December 2020	**4**	**204**	**1,111**	**1,319**
Gross carrying amount				
As at 31 December 2018	**14,741**	**8,718**	**742**	**24,201**
Transfer to 12-months ECL	426	(426)	**-**	**-**
Transfer to lifetime ECL, not credit-impaired assets	(6,330)	6,330	-	-
Transfer to lifetime ECL, credit-impaired assets	(1,862)	-	1,862	-
Newly originated or purchased financial assets	939	-	-	939
Currency exchange differencies	(38)	(122)	(22)	(182)
Other changes *	(4,070)	(2,250)	(382)	(6,702)
As at 31 December 2019	**3,806**	**12,250**	**2,200**	**18,256**
Credit loss allowance				
As at 31 December 2018	**108**	**140**	**474**	**722**
Transfer to 12-months ECL	3	(3)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(47)	47	-	-
Transfer to lifetime ECL, credit-impaired assets	(6)	-	6	-
Newly originated or purchased financial assets	2	-	-	2
Currency exchange differencies	-	(21)	(18)	(39)
Net change of ECL	(49)	59	567	577
As at 31 December 2019	**11**	**222**	**1,029**	**1,262**

**Including the repayment of principal and interest, other changes*

The following table discloses the changes in gross carrying amount and the credit loss allowance of loans to individuals by stages for the years, ended 31 December 2020 and 31 December 2019:

	Stage 1 (12-months ECL)	Stage 2 (Lifetime ECL for assets that are not credit-impaired)	Stage 3 (Lifetime ECL for credit-impaired assets)	Total
Gross carrying amount				
As at 31 December 2019	**662,116**	**7,028**	**7,916**	**677,060**
Transfer to 12-months ECL	15,840	(14,457)	(1,383)	-
Transfer to lifetime ECL, not credit-impaired assets	(30,330)	30,673	(343)	-
Transfer to lifetime ECL, credit-impaired assets	(6,937)	(13,556)	20,493	-
Newly originated or purchased financial assets	185,954	-	-	185,954
Derecognised financial assets	(21,284)	-	-	(21,284)
Write-off of financial assets against allowance created	-	-	(11,402)	(11,402)
Unwinding of discount	-	-	93	93
Currency exchange differencies	213	3	4	220
Other changes*	(189,616)	(616)	(3,601)	(193,833)
As at 31 December 2020	**615,956**	**9,075**	**11,777**	**636,808**
Credit loss allowance				
As at 31 December 2019	**3,436**	**2,175**	**4,121**	**9,732**
Transfer to 12-months ECL	5,156	(4,378)	(778)	-
Transfer to lifetime ECL, not credit-impaired assets	(624)	813	(189)	-
Transfer to lifetime ECL, credit-impaired assets	(478)	(5,530)	6,008	-
Newly originated or purchased financial assets	1,349	-	-	1,349
Derecognised financial assets	(9)	-	-	(9)
Write-off of financial assets against allowance created	-	-	(11,402)	(11,402)
The amount of repaid debts, previously written-off	-	-	3,521	3,521
Unwinding of discount	-	-	93	93
Currency exchange differencies	88	1	1	90
Net change of ECL	(2,618)	10,504	4,034	11,920
As at 31 December 2020	**6,300**	**3,585**	**5,409**	**15,294**
Gross carrying amount				
As at 31 December 2018	**544,489**	**4,415**	**5,512**	**554,416**
Transfer to 12-months ECL	10,357	(9,322)	(1,035)	-
Transfer to lifetime ECL, not credit-impaired assets	(21,574)	21,814	(240)	-
Transfer to lifetime ECL, credit-impaired assets	(5,376)	(9,670)	15,046	-
Newly originated or purchased financial assets	510,036	-	-	510,036
Derecognised financial assets	(108,962)	-	-	(108,962)
Write-off of financial assets against allowance created	-	-	(8,440)	(8,440)
Unwinding of discount			79	79
Currency exchange differencies	(51)	(1)	(1)	(53)
Other changes *	(266,803)	(208)	(3,005)	(270,016)
As at 31 December 2019	**662,116**	**7,028**	**7,916**	**677,060**

Credit loss allowance	Stage 1 (12-months ECL)	Stage 2 (Lifetime ECL for assets that are not credit-impaired)	Stage 3 (Lifetime ECL for credit-impaired assets)	Total
As at 31 December 2018	**3,383**	**1,821**	**2,858**	**8,062**
Transfer to 12-months ECL	3,712	(3,191)	(521)	-
Transfer to lifetime ECL, not credit-impaired assets	(512)	629	(117)	-
Transfer to lifetime ECL, credit-impaired assets	(396)	(4,206)	4,602	-
Newly originated or purchased financial assets	2,014	-	-	2,014
Derecognised financial assets	(10)	-	-	(10)
Write-off of financial assets against allowance created	-	-	(8,440)	(8,440)
The amount of repaid debts, previously written-off	-	-	4,819	4,819
Unwinding of discount	-	-	79	79
Currency exchange differencies	(18)	-	-	(18)
Net change of ECL	(4,737)	7,122	841	3,226
As at 31 December 2019	**3,436**	**2,175**	**4,121**	**9,732**

**Including the repayment of principal and interest, other changes*

Below is the structure of the Bank's credit portfolio by industries as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Analysis by sectors:		
Retail portfolio	636,808	677,060
Trade	599,739	545,835
Investments in real estate	343,502	294,125
Transport	270,855	144,266
Financial and insurance services	181,204	248,315
Construction	171,639	26,714
Metallurgy	141,191	117,024
Other industry	133,803	109,494
Chemicals and petrochemicals	121,924	354,450
Light industry	107,808	126,107
Machinery construction	94,032	75,513
Food industry	46,882	103,874
Agriculture	43,583	73,474
Timber industry	27,500	30,504
Oil industry	22,670	149,263
Communications	17,686	19,592
Gas transportation	12,219	208,078
Energy industry	6,925	4,100
Media business	2,374	2,300
Other	95,700	127,441
	3,078,044	3,437,529
Less allowance for losses	(184,751)	(109,790)
Total loans to customers	**2,893,293**	**3,327,739**

All loans were granted to companies operating in the Republic of Belarus, which reflects a significant geographical concentration characteristic of the Belarussian banking system on the whole.

The information about the loans by types of collateral is presented in the following table. The information is based on the carrying amount of the loans rather than on the fair value of the collateral:

	31 December 2020	31 December 2019
Loans collateralized by real estate and rights thereto	1,274,961	1,328,593
Loans collateralized by equipment and rights thereto	843,258	881,703
Loans collateralized by guarantees of legal entities	193,887	151,801
Loans collateralized by inventories	160,601	176,209
Loans collateralized by rights over receivables	93,526	351,279
Loans collateralized by guarantees of individuals	41,605	34,874
Loans collateralized by insurance of credit risk exposure	18,677	39,834
Loans collateralized by cash and guarantee deposit	3,428	11,439
Loans collateralized by securities	517	3,307
Unsecured loans and loans collateralized by other and mixed types of collateral	447,584	458,490
	3,078,044	3,437,529
Less allowance for losses	(184,751)	(109,790)
Total loans to customers	**2,893,293**	**3,327,739**

The table above excludes overcollateralisation. The Bank revises the estimated value of the collateral for loans with signs of impairment as it is used as input data for calculating expected credit losses as part of credit risk management.

Although the Bank's main objective in calculation of expected credit losses is the creditworthiness of the borrowers, the Bank also regularly, at least once a year, updates the estimated value of collateral, including the cases when credit risk has increased significantly and the loan is subject to a more thorough monitoring. The current estimated value of the collateral along with the level of recovery calculated on the portfolio basis when selling the collateral is used for estimating expected credit losses. For certain impaired loans the Bank may revise the estimated value of the collateral on a personal basis. As at 31 December 2020 the fair value of collateral pledged in respect of impaired loans together with excess collateral amounted to RUB 493,906 thousand (31 December 2019: RUB 214,618 thousand).

Real estate loans are collateralized by real estate. Car loans are collateralized by cars. The fair value of collateral under real estate and car loans is evaluated at the date of a loan origination and is not adjusted for subsequent changes at the reporting date. The car loans are at least a 100% collateralized.

As at 31 December 2020, the cost of repossessed assets accounted for within property and equipment, non-current assets held for sale, investment property amounted to BYN 2,243 thousand, BYN 16,627 thousand and BYN 359 thousand respectively.

As at 31 December 2019, the cost of repossessed assets accounted for within property and equipment, non-current assets held for sale amounted to BYN 2,632 thousand and BYN 17,593 thousand respectively.

The components of net investments in finance lease as at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Less than 1 year	5,186	10,805
From 1 to 5 years	14,503	11,432
More than 5 years	583	1,227
Minimum payments under finance lease	20,272	23,464
Less: unearned finance income	(5,281)	(5,208)
Net investments in finance lease before allowance	**14,991**	**18,256**
Less allowance for losses	(1,319)	(1,262)

	31 December 2020	31 December 2019
Net investments in finance lease	**13,672**	**16,994**
Less than 1 year	3,623	8,836
From 1 to 5 years	11,089	9,043
More than 5 years	279	377
Net investments in finance lease before allowance	**14,991**	**18,256**
Less allowance for losses	(1,319)	(1,262)
Net investments in finance lease	**13,672**	**16,994**

As at 31 December 2020 and 31 December 2019, information about loans to customers is presented in the table below by overdue periods with regard to expected credit losses:

	12-months ECL	Lifetime ECL for assets that are not credit-impaired	Lifetime ECL for credit-impaired assets	31 December 2020
Loans to corporate customers measured at amortized cost				
Not overdue	730,698	1,432,229	213,089	2,376,016
Overdue:				
Up to 30 days	869	3,661	85	4,615
From 31 to 60 days	-	1,252	27	1,279
From 61 to 90 days	-	1,254	990	2,244
From 91 to 180 days	-	-	2,219	2,219
Over 180 days	-	-	54,863	54,863
Loss allowance	**(3,227)**	**(43,705)**	**(122,525)**	**(169,457)**
Carrying amount	**728,340**	**1,394,691**	**148,748**	**2,271,779**
Loans to individuals measured at amortized cost				
Not overdue	600,102	-	-	600,102
Overdue:				
Up to 30 days	15,854	-	-	15,854
From 31 to 60 days	-	6,203	-	6,203
From 61 to 90 days	-	2,872	-	2,872
From 91 to 180 days	-	-	4,654	4,654
Over 180 days	-	-	7,123	7,123
Loss allowance	**(6,300)**	**(3,585)**	**(5,409)**	**(15,294)**
Carrying amount	**609,656**	**5,490**	**6,368**	**621,514**
Loans to customers	**1,337,996**	**1,400,181**	**155,116**	**2,893,293**

	12-months ECL	Lifetime ECL for assets that are not credit-impaired	Lifetime ECL for credit-impaired assets	31 December 2019
Loans to corporate customers measured at amortized cost				
Not overdue	2,037,685	567,173	93,981	2,698,839
Overdue:				
Up to 30 days	1,166	148	9,485	10,799
From 31 to 60 days	-	623	525	1,148
From 61 to 90 days	-	253	7,954	8,207
From 91 to 180 days	-	-	3,261	3,261
Over 180 days	-	-	38,215	38,215
Loss allowance	**(6,180)**	**(4,968)**	**(88,910)**	**(100,058)**
Carrying amount	**2,032,671**	**563,229**	**64,511**	**2,660,411**

	12-months ECL	Lifetime ECL for assets that are not credit-impaired	Lifetime ECL for credit-impaired assets	31 December 2019
Loans to individuals measured at amortized cost				
Not overdue	648,241	-	-	648,241
Overdue:				
Up to 30 days	13,875	-	-	13,875
From 31 to 60 days	-	4,748	-	4,748
From 61 to 90 days	-	2,280	-	2,280
From 91 to 180 days	-	-	3,980	3,980
Over 180 days	-	-	3,936	3,936
Loss allowance	**(3,436)**	**(2,175)**	**(4,121)**	**(9,732)**
Carrying amount	**658,680**	**4,853**	**3,795**	**667,328**
Loans to customers	**2,691,351**	**568,082**	**68,306**	**3,327,739**

Analysis of the credit quality of loans provided to individuals by classes of loans and overdue periods as at 31 December 2020 and 31 December 2019 is presented as follows:

Loans to individuals assessed collectively	Payment cards	Car loans	Real estate loans	Delay consumer loans	Consumer loans	Other	31 December 2020 Total
Not overdue	159,511	351,074	64,281	19,274	5,804	158	600,102
Overdue:							
Up to 30 days	6,485	7,257	1,826	249	37	-	15,854
From 31 to 60 days	2,221	3,316	540	121	5	-	6,203
From 61 to 90 days	1,222	1,650	-	-	-	-	2,872
From 91 to 180 days	2,472	1,169	-	470	543	-	4,654
Over 180 days	4,037	2,346	8	732	-	-	7,123
Loss allowance	**(7,879)**	**(5,898)**	**(140)**	**(1,161)**	**(214)**	**(2)**	**(15,294)**
Loans to individuals less allowance for losses	**168,069**	**360,914**	**66,515**	**19,685**	**6,175**	**156**	**621,514**

Loans to individuals assessed collectively	Payment cards	Car loans	Real estate loans	Delay consumer loans	Consumer loans	Other	31 December 2019 Total
Not overdue	182,356	338,149	70,712	50,962	5,939	123	648,241
Overdue:							
Up to 30 days	7,120	5,154	1,145	440	16	-	13,875
From 31 to 60 days	1,678	2,027	857	178	8	-	4,748
From 61 to 90 days	1,344	829	107	-	-	-	2,280
From 91 to 180 days	2,853	678	17	393	39	-	3,980
Over 180 days	3,263	236	-	403	34	-	3,936
Loss allowance	**(7,245)**	**(1,150)**	**(261)**	**(1,044)**	**(32)**	**-**	**(9,732)**
Loans to individuals less allowance for losses	**191,369**	**345,923**	**72,577**	**51,332**	**6,004**	**123**	**667,328**

20. INVESTMENT SECURITIES

Investment securities are as follows:

	Interest to nominal	31 December 2020	Interest to nominal	31 December 2019 (restated)	Interest to nominal	1 January 2019 (restated)
Long-term governmental bonds in foreign currency	3.70%-7.00%	355,548	3.79%-7.00%	431,524	4.95%-7.50%	248,958
Including pledged under repurchase agreements	-	-	*5.5%*	*14,725*	*5.0%-5.5%*	*18,251*
Bonds issued by Belarusian banks, BYN	7.75%	7,651	9.00%	12,773	10.00%	13,072
Bonds issued by local authorities, BYN	7.75%	1,157	9.00%	1,510	10.00%	1,819
Short-term bonds issued by the National Bank of the Republic of Belarus, BYN	-	-	6.9%-7.4%	70,255	3.00%-4.25%	86,708
Listed equity instruments		9,702		6,620		4,294
Other unlisted equity instruments		766		720		703
Total investment securities		**374,824**		**523,402**		**355,554**

As at 31 December 2020 Debt investment securities totaling BYN 161,876 thousand were pledged as collateral for the Bank's loan commitments (Note 25).

As at 31 December 2019, investments securities available for sale with the fair value of BYN 14,725 thousand were provided as collateral of funds received under repurchase transactions in the amount of BYN 13,202 thousand with the maturities of up to 1 year (Note 26). The fair value of these securities is equal to their carrying amount.

The Bank classified the equity instruments as those measured at FVOCI basing on the fact that they are not held for trading (Note 2).

As at 31 December 2020 and 31 December 2019 listed equity instruments include the shares of MasterCard Inc., measured at fair value, totalling BYN 9,702 thousand and BYN 6,620 thousand respectively. Other unlisted equity instruments include shares of resident and non-resident corporate clients in the amount of BYN 766 thousand and BYN 720 thousand as at 31 December 2020 and 31 December 2019 respectively.

As at 31 December 2020 and 31 December 2019, loss allowance on investment securities equal to 12-months expected credit losses was recognized in other comprehensive income amounting to BYN 12,812 thousand and BYN 8,838 thousand respectively.

Information about the credit quality of debt investment securities is presented in the following table:

	12-month ECLs	31 December 2020	12-month ECLs	31 December 2019
International rating of B	364,356	364,356	516,062	516,062
Total debt investment securities measured at FVOCI	**364,356**	**364,356**	**516,062**	**516,062**
Loss allowance	(12,812)	(12,812)	(8,838)	(8,838)
Carrying value - fair value of debt investment securities measured at FVOCI*	**364,356**	**364,356**	**516,062**	**516,062**

** Debt investment securities at FVOCI are stated at fair value while loss allowance is recognized in OCI.*

The following table discloses the changes in gross carrying amount and the credit loss allowance of debt investment securities measured at FVOCI in stages for the years, ended 31 December 2020 and 31 December 2019 respectively.

Debt investment securities measured at FVOCI	Stage 1 (12-months ECL)	Total Gross carrying amount	Stage 1 (12-months ECL)	Total ECL
As at 31 December 2018	**350,557**	**350,557**	**6,682**	**6,682**
Newly originated or purchased financial assets	313,478	313,478	9,666	9,666
Derecognised financial assets	(152,641)	(152,641)	(5,785)	(5,785)
Currency exchange differences	(3,496)	(3,496)	-	-
Other changes*	8,164	8,164	(1,725)	(1,725)
As at 31 December 2019	**516,062**	**516,062**	**8,838**	**8,838**
Newly originated or purchased financial assets	17,581	17,581	678	678
Derecognised financial assets	(257,839)	(257,839)	(4,092)	(4,092)
Currency exchange differences	96,669	96,669	2,331	2,331
Other changes*	(8,117)	(8,117)	5,057	5,057
Total as at 31 December 2020	**364,356**	**364,356**	**12,812**	**12,812**

**Including the repayments of principal and interest, other changes*

21. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are presented as follows:

	Real estate	Vehicles and equipment	Total
As at 1 January 2019	**30,013**	**575**	**30,588**
Additions	1,751	18	1,769
Disposals	(14,345)	(415)	(14,760)
As at 31 December 2019	**17,419**	**178**	**17,597**
Additions	372	369	741
Disposals	(1,625)	(52)	(1,677)
Impairment	-	(30)	(30)
As at 31 December 2020	**16,166**	**465**	**16,631**

As at 31 December 2020 and 31 December 2019, non-current assets held for sale include Bank's own property and property, that has been transferred to the Bank to repay loans or obtained by the Bank through repossession of leased items (real estate, motor vehicles, equipment). The Bank's management intends to sell the property classified as non-current assets held for sale. The Bank plans to complete the sale of these assets within the next 12 months.

As at 31 December 2020 and 31 December 2019, non-current assets held for sale include buildings and constructions, transferred by the Bank to the trust management, amounting to BYN 15,836 thousand and BYN 16,738 thousand respectively.

22. PROPERTY, EQUIPMENT, INTANGIBLE AND RIGHT-OF-USE ASSETS

Property, equipment and intangible assets comprise:

	Buildings and constructions	Computer equipment, furniture and other equipment	Vehicles	Corporate collection of art works	Investments into property, equipment and intangible assets	Intangible assets	Total
Initial cost							
As at 1 January 2019	**90,272**	**65,145**	**3,982**	**16,455**	**6,269**	**51,152**	**233,275**
Additions	-	-	-	-	24,233	-	24,233
Transfers between categories	2,128	6,285	697	653	(20,485)	10,722	-
Disposals	(1,016)	(1,328)	(592)	(43)	(406)	(349)	(3,734)
As at 31 December 2019	**91,384**	**70,102**	**4,087**	**17,065**	**9,611**	**61,525**	**253,774**
Additions	-	-	-	-	28,896	-	28,896
Transfers between categories	4,093	7,812	-	425	(25,498)	13,168	-
Disposals	(821)	(2,140)	(166)	-	(2)	(546)	(3,675)
As at 31 December 2020	**94,656**	**75,774**	**3,921**	**17,490**	**13,007**	**74,147**	**278,995**
Accumulated depreciation							
As at 1 January 2019	**6,269**	**35,520**	**2,375**	**-**	**-**	**29,808**	**73,972**
Charge for the year	1,393	7,938	528	-	-	10,268	20,127
Written-off on disposal	(34)	(1,395)	(591)	-	-	(349)	(2,369)
As at 31 December 2019	**7,628**	**42,063**	**2,312**	**-**	**-**	**39,727**	**91,730**
Charge for the year	1,411	8,125	507	-	-	15,408	25,451
Written-off on disposal	(72)	(2,004)	(166)	-	-	(537)	(2,779)
As at 31 December 2020	**8,967**	**48,184**	**2,653**	**-**	**-**	**54,598**	**114,402**
Net book value							
31 December 2019	**83,756**	**28,039**	**1,775**	**17,065**	**9,611**	**21,798**	**162,044**
31 December 2020	**85,689**	**27,590**	**1,268**	**17,490**	**13,007**	**19,549**	**164,593**

As at 31 December 2020 and 31 December 2019, the Bank transferred to the trust management buildings and constructions in the amount of BYN 5,216 thousand and BYN 6,151 thousand respectively.

As at 31 December 2020 and 31 December 2019 the right-of-use assets comprised the objects of the lease by the Bank, as a lessee, such as buildings and premises, parking places in order to carry out its every day operation, to locate the bank's offices and to build the necessary infrastructure. The Bank rented billboards, line-cable structures, virtual resources and places for technical equipment accommodation.

Right-of-use assets' movements for the years 2020 and 2019 are as follows:

Initial cost	Right-of-use assets
As at 1 January 2019	**2,911**
Additions	184
Disposals	(156)
As at 31 December 2019	**2,939**
Additions	637
Disposals	(747)
As at 31 December 2020	**2,829**
Accumulated deprecation	
As at 1 January 2019	**-**
Charge for the year	908
Writen-off on disposal	(154)
As at 31 December 2019	**754**
Charge for the year	827
Writen-off on disposal	(700)
As at 31 December 2020	**881**
Net book value	
31 December 2019	**2,185**
31 December 2020	**1,948**

During the years, ended 31 December 2020 and 31 December 2019 , the future lease payments for lease agreements,recognized as exemptions (short-term leases, leases of a low-value assets), where the Bank is a lessee, amounted to BYN 403 thousand and BYN 252 thousand respectively.

23. INVESTMENT PROPERTY

As at 31 December 2020 and 31 December 2019, a building with a total carrying amount of BYN 578 thousand and BYN 939 thousand was transferred from the property and equipment to investment property. The buildings are under the trust management and are in operating lease.

Investment property movements are as follows:

Initial cost	Investment property
As at 1 January 2019	**-**
Additions	957
As at 31 December 2019	**957**
Additions	590
Disposals	(957)
As at 31 December 2020	**590**
Accumulated deprecation	
As at 1 January 2019	**-**
Additions	18
As at 31 December 2019	**18**
Additions	7
Charge for the year	5
Writen-off on disposal	(18)
As at 31 December 2020	**12**

During the years, ended 31 December 2020 and 31 December 2019 the Bank recognized the income from the investment property in the amount of BYN 4 thousand and BYN 1 thousand respectively, and the expenses in the amount of BYN 4 thousand and BYN 6 thousand respectively.

As at 31 December 2020 and 31 December 2019, according to IAS 36 “Impairment of assets” there is no indication of impairment of the carrying amount of investment property. The fair value of investment property is approximately equal to its carrying amount.

24. OTHER ASSETS

Other assets comprise:

	31 December 2020	31 December 2019
Other financial assets:		
Settlements on Bank payment cards	11,607	6,379
Funds in settlements	3,024	15,098
Fee and commission income and penalties accured	2,094	3,121
Receivables from sale of non-current assets held for sale	68	68
Other debtors	1,087	2,178
Less allowance for losses	(1,105)	(2,824)
Total other financial assets	**16,775**	**24,020**
Other non-financial assets:		
Prepayments for property, equipment and other assets	2,679	6,355
Taxes recoverable and prepaid taxes other than income tax	2,228	78
Prepaid expenses and other non-financial assets	819	804
Inventories	558	612
Precious metals	375	496
Total other assets:	**23,434**	**32,365**

Analysis of the credit quality of other financial assets by overdue periods is presented as follows:

Other financial assets	Lifetime ECL for assets that are not credit-impaired	Lifetime ECL for credit-impaired assets	31 December 2020
Overdue			
Up to 30 days	1,999	-	1,999
From 31 to 120 days	214	-	214
From 121 to 210 days	114	-	114
From 211 to 360 days	107	-	107
Over 360 days	-	815	815
No maturity (not overdue)	14,631	-	14,631
Less allowance for losses	**(290)**	**(815)**	**(1,105)**
Total other financial assets	**16,775**	**-**	**16,775**

Other financial assets	Lifetime ECL for assets that are not credit-impaired	Lifetime ECL for credit-impaired assets	31 December 2019
Overdue			
Up to 30 days	2,104	-	2,104
From 31 to 120 days	400	-	400
From 121 to 210 days	394	-	394
From 211 to 360 days	326	-	326
Over 360 days	-	2,143	2,143
No maturity (not overdue)	21,477	-	21,477
Less allowance for losses	**(816)**	**(2,008)**	**(2,824)**
Total other financial assets	**23,885**	**135**	**24,020**

The table below discloses the changes in the credit loss allowance of other financial assets by stages for the years, ended 31 December 2020 and 31 December 2019:

	Stage 2 (Lifetime ECL for assets that are not credit-impaired)	Stage 3 (Lifetime ECL for credit-impaired assets)	Total
Credit loss allowance on other financial assets			
As at 31 December 2018	**335**	**6,091**	**6,426**
Newly originated or purchased financial assets	699	-	699
Write-off of financial assets against allowance created	-	(3,659)	(3,659)
Net change of ECL*	(218)	(424)	(642)
As at 31 December 2019	**816**	**2,008**	**2,824**
Transfer to lifetime ECL, credit-impaired assets	(463)	463	-
Newly originated or purchased financial assets	416	-	416
Write-off of financial assets against allowance created	-	(752)	(752)
Net change of ECL*	(479)	(904)	(1,383)
Total as at 31 December 2020	**290**	**815**	**1,105**

**Including the effect of repayment (prepayment)*

25. LOANS FROM THE NATIONAL BANK OF THE REPUBLIC OF BELARUS

As at 31 December 2020 the loans from the National Bank include two short-term loans in the amount of BYN 398,000 thousand, collateralized by investment securities in foreign currency totaling BYN 161,876 thousand (Note 20) and collateralized by loans to customers in foreign currency and Belarusian rubles with the fair value of BYN 452,603 thousand and BYN 86,048 thousand respectively (Note 19).

Additional information on goals and financing terms is disclosed in the Note 39 as a part of the liquidity risk disclosure.

26. DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

Due to banks and other financial institutions comprise:

	31 December 2020	31 December 2019
Loans from banks and non-banking financial institutions	618,445	653,204
Syndicated loan	141,567	175,607
Correspondent and demand accounts of other banks	37,689	16,497
Loans from international financial organizations	29,176	23,664
Funds as a collateral	8,315	2,135
Loans received under repurchase agreements	-	13,202
Total due to banks and other financial institutions	**835,192**	**884,309**

As at 31 December 2019, loans received under repurchase agreements comprised short-terms loans received from two Belarusian banks with maturities of up to one year that were collateralized by debt securities in foreign currency with the fair value of BYN 14,725 thousand (Note 20).

As at 31 December 2020, due to banks and other financial institutions included loans from five banks totaling BYN 632,669 thousand that individually exceeded 10% of the Bank's equity, which represents a significant concentration (76% from the total amount).

As at 31 December 2019, due to banks and other financial institutions included loans from three banks totaling BYN 351,736 thousand that individually exceeded 10% of the Bank's equity, which represents a significant concentration (40% from the total amount).

As at 31 December 2020 and 31 December 2019 the Bank fulfilled the covenants established in the loan agreements.

27. DUE TO CUSTOMERS

Due to customers comprise:

	31 December 2020	31 December 2019
Term deposits	1,342,879	1,788,993
Current/settlement accounts and demand deposits	585,077	1,221,614
Total due to customers	**1,927,956**	**3,010,607**

Below are the Bank's due to customers by industries as at 31 December 2020 and 31 December 2019:

Analysis by sectors:	31 December 2020	31 December 2019
Individuals	1,120,098	1,395,915
Trade	175,940	196,189
Machinery construction	130,190	150,133
Construction	125,570	149,888
Transport	49,833	42,644
Financial and insurance companies	46,222	90,117
Other industry	45,055	43,329
Gas transportation	38,825	648,454
Investments in real estate	36,875	38,562
Food industry	35,760	28,080
Timber industry	22,793	15,398
Agriculture	13,949	27,653
Chemicals and petrochemicals	13,011	40,092
Media business	4,446	6,778
Metallurgy	4,283	4,650
Light industry	4,249	3,407
Oil industry	2,752	9,837
Goverment administration	1,723	51,067
Communication	1,657	3,873
Energy industry	655	5,102
Other	54,070	59,439
Total due to customers	**1,927,956**	**3,010,607**

As at 31 December 2019, due to customers totaling BYN 612,406 thousand (32% of the total) comprised the balances of accounts of one customer, which represents significant concentration.

As at 31 December 2020 and 31 December 2019, due to customers of BYN 7,889 thousand and BYN 22,683 thousand respectively, were held as collateral against letters of credit, guarantees and loans issued by the Bank.

28. DEBT SECURITIES ISSUED

Debt securities issued are represented by bonds held by individuals and legal entities.

	31 December 2020	31 December 2019
Bonds issued by the Bank and held by individuals	47,414	32,163
Bonds issued by the Bank and held by legal entities	27,445	116,059
Total debt securities issued	**74,859**	**148,222**

29. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2020	31 December 2019
Other financial liabilities:		
Settlements on other banking operations and accrued expenses	8,258	4,980
Lease liabilities	2,220	2,115
Loss allowance for financial guarantees and other contingent liabilities	2,205	1,894
Settlements for property and equipment and other assets acquired	1,116	1,758
Total other financial liabilities	**13,799**	**10,747**
Other non-financial liabilities:		
Salary payable to employee	5,171	6,314
Payables to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	1,674	2,070
Taxes payable other than income tax	1,039	2,700
Other non-financial liabilities	242	287
Total other liabilities	**21,925**	**22,118**

Movements in provision for guarantees and other contingent liabilities for the years, ended 31 December 2020 and 31 December 2019, are disclosed in Note 6 and the changes in credit loss allowance by stages are disclosed in Note 34.

The movements in Lease liabilities are disclosed in the following table:

	Lease liabilities
As at 1 January 2019	**2,911**
Additions	68
Lease payments	(923)
Interest expense	(98)
Variable lease payment adjustment	157
As at 31 December 2019	**2,115**
Additions	619
Lease payments	(878)
Interest expense	(54)
Variable lease payment adjustment	418
As at 31 December 2020	**2,220**

30. SUBORDINATED DEBT

	Currency	Maturity date	Interest rate	31 December 2020	31 December 2019
The subordinated debt from Gazprombank (Joint-stock Company)	Russian roubles	January 2022	5.95%	91,063	88,901
The subordinated debt from PJSC “Gazprom”	Russian roubles	January 2022	8.25%	86,434	84,382
Total subordinated loans				**177,497**	**173,283**

Subordinated debts were raised in January 2015. Payments on this debt are subordinated to repayments of the Bank's other liabilities to all other creditors.

31. SHARE CAPITAL

As at 31 December 2020 and as at 31 December 2019 authorized, issued and fully paid capital of the Bank consisted of 34,812,225,866 ordinary shares and 3,932,200 preference shares with the par value of BYN 0,01 each.

Hyperinflation effect accumulated before 31 December 2014 amounts to BYN 187,783 thousand. All ordinary shares are of the same class and carry one vote. Preference shares are non-voting. Preference shares are entitled to annual dividends, the amount of which is determinable by an annual shareholders meeting, but not less than 1% of the par value of the shares.

The decision on payment of dividends is made by the General Meeting of Shareholders upon the recommendation of the Board of Directors. The Bank has no obligation to redeem preference shares, except in the cases provided by the legislation of the Republic of Belarus, as well as cases of voluntary assumption of such obligations.

During the year, ended 31 December 2020, the Bank declared dividends for the year 2019 on ordinary and preference shares in the amount of BYN 57,948 thousand. The amount of declared and paid dividends per one ordinary and one preference share is BYN 0.00166.

During the year, ended 31 December 2019, the Bank declared dividends for the year 2018 on ordinary and preference shares in the amount of BYN 57,865 thousand. The amount of declared and paid dividends per one ordinary and one preference share is BYN 0.00166.

32. EARNINGS PER SHARE

The table below shows earnings and weighted average number of ordinary shares figures used for calculating basic earnings per share.

	Year ended 31 December 2020	**Year ended 31 December 2019**
Earnings used for calculating earnings per share	39,735	111,538
Weighted average number of ordinary shares used for calculating earnings per share	34,812,225,866	34,812,225,866
Earnings per share (BYN)	0.0011	0.0032

Basic earnings per share are equal to diluted earnings per share.

33. RECONCILIATION OF CHANGES IN LIABILITIES AND CASH FLOWS FROM FINANCING ACTIVITIES

	Loans from international financial organisations	**Debt securities issued**	**Subordinated loans**	**Syndicated loans**
Balance as at 31 December 2018	**38,385**	**50,229**	**158,446**	**287,975**
Cash flow				
Inflows	23,195	376,611	-	-
Outflows	(35,873)	(280,827)	-	(98,817)
Total changes related to cash flows from financing activities	**(12,678)**	**95,784**	**-**	**(98,817)**
Non-monetary changes				
Effect of exchange rate fluctuations	(1,890)	(1,642)	14,891	(15,374)

	Loans from international financial organisations	Debt securities issued	Subordinated loans	Syndicated loans
Other changes				
Interest paid	(1,822)	(1,818)	(11,499)	(7,282)
Interest accrued	1,669	5,669	11,445	9,105
Balance as at 31 December 2019	**23,664**	**148,222**	**173,283**	**175,607**
Cash flow				
Inflows	987	201,184	-	-
Outflows	(3,790)	(294,264)	-	(80,202)
Total changes related to cash flows from financing activities	**(2,803)**	**(93,080)**	**-**	**(80,202)**
Non-monetary changes				
Effect of exchange rate fluctuations	8,332	9,992	4,284	46,424
Other changes				
Interest paid	(918)	(630)	(11,984)	(4,498)
Interest accrued	901	10,355	11,914	4,236
Balance as at 31 December 2020	**29,176**	**74,859**	**177,497**	**141,567**

The movements in lease liabilities are disclosed in Note 29.

Information on the amounts of loans from international financial organizations, as well as the syndicated loan amount is disclosed in Note 26. Information on the amounts of debt securities issued by the Bank is disclosed in Note 28, information on the amounts of subordinated debt is presented in Note 30.

34. DEFERRED FINANCIAL COMMITMENTS AND CONTINGENCIES, OPERATING ENVIRONMENT

In the normal course of business the Bank issues credit related commitments, recognized on off-balance sheet accounts, for the purpose of meeting the needs of its customers. These instruments bear various degrees of credit risk and are not recognized in the statement of financial position.

The Bank's maximum exposure to credit risk on contingent liabilities and loan commitments in the case of other party's failure to execute its obligations and impairment of all counterclaims, collateral or security, is represented by the contractual amounts of those instruments.

As at 31 December 2020 and 31 December 2019, the nominal or contract value of contingent liabilities and loan commitments were as follows:

	31 December 2020	31 December 2019
Contingent liabilities and loan commitments:		
Commitments on loans and unused credit lines, cancellable	402,912	588,888
Guarantees issued and similar commitments, including financial guarantees	114,254	89,071
Letters of credit, not covered	13,531	12,736
Letters of credit, covered	967	726
Letters of credit that are not covered, the applicant under which is the Bank	-	1,940
Total contingent liabilities and loan commitments	**531,664**	**693,361**

Allowance for some loan commitments is recognized within the credit loss allowance on loans to customers (Note 19), given the Bank is unable to distinguish the amount of the expected credit losses on the unclaimed component of the loan commitments from that one that is already issued.

The following table discloses the changes in the credit loss allowance of other financial assets by stages for the years, ended 31 December 2020 and 31 December 2019:

	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL for assets that are not credit-impaired)**	**Stage 3 (Lifetime ECL for credit-impaired assets)**	**Total**
Credit loss allowance on contingent liabilities and loan commitments				
As at 31 December 2018	**2,148**	**23**	**-**	**2,171**
Transfer to 12-months ECL	**61**	**(61)**	**-**	**-**
Transfer to lifetime ECL, not credit-impaired assets	**(87)**	**87**	**-**	**-**
Newly originated or purchased financial assets	2,141	-	-	2,141
Net change of ECL*	(2,504)	86	-	(2,418)
As at 31 December 2019	**1,759**	**135**	**-**	**1,894**
Transfer to 12-months ECL	530	(530)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(646)	646	**-**	-
Transfer to lifetime ECL, credit-impaired assets	(2)	-	2	-
Newly originated or purchased financial assets	1,702	-	-	1,702
Net change of ECL*	(1,794)	405	(2)	(1,391)
As at 31 December 2020	**1,549**	**656**	**-**	**2,205**

**Including repayment effect (early repayment)*

Allowance for financial guarantees and other contingencies is recognized within other liabilities (Note 29).

The credit quality of contingent liabilities is disclosed in the table below:

	Stage 1 (12-month ECL)	**Stage 2 (Lifetime ECL for assets that are not credit-impaired)**	**Stage 3 (Lifetime ECL for credit-impaired assets)**	**Total as at 31 December 2020**
Financial guarantees				
Bank's risk-class of A*	1,024	-	-	1,024
Bank's risk-class of B*	20,840	-	-	20,840
Bank's risk-class of C*	4,442	49,474	-	53,916
Bank's risk-class of E*	7,579	1,547	-	9,126
Not rated	523	-	-	523
Total financial guarantees	**34,408**	**51,021**	**-**	**85,429**
Less allowance for losses	(181)	(205)	-	(386)
Total financial guarantees less allowance for losses	**34,227**	**50,816**	**-**	**85,043**
Commitments on loans and unused credit lines				
Bank's risk-class of A*	181,506	-	-	181,506
Bank's risk-class of B*	88,201	2,211	-	90,412
Bank's risk-class of C*	29,594	82,194	-	111,788
Bank's risk-class of E*	465	1,882	-	2,347
Bank's risk-class of D*	-	-	89	89
Not rated	16,443	291	36	16,770
Total commitments on loans and unused credit lines	**316,209**	**86,578**	**125**	**402,912**
Less allowance for losses	(926)	(330)	-	(1,256)
Total commitments on loans and unused credit lines less allowance for losses	**315,283**	**86,248**	**125**	**401,656**

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL for assets that are not credit-impaired)	Stage 3 (Lifetime ECL for credit-impaired assets)	Total as at 31 December 2020
Letters of credit, not covered				
Bank's risk-class of B*	1,211	-	-	1,211
Bank's risk-class of C*	-	6,337	-	6,337
Bank's risk-class of E*	5,983	-	-	5,983
Total letters of credit, not covered	**7,194**	**6,337**	**-**	**13,531**
Less allowance for losses	(442)	(121)	-	(563)
Total letters of credit, not covered less allowance for losses	**6,752**	**6,216**	**-**	**12,968**

	Stage 1 (12-month ECL)	Stage 2 (Lifetime ECL for assets that are not credit-impaired)	Stage 3 (Lifetime ECL for credit-impaired assets)	Total as at 31 December 2019
Financial guarantees				
Bank's risk-class of B*	10,470	-	-	10,470
Bank's risk-class of C*	37,901	-	-	37,901
Bank's risk-class of E*	832	-	-	832
Not rated	10,929	-	-	10,929
Total financial guarantees	**60,132**	**-**	**-**	**60,132**
Less allowance for losses	(560)	-	-	(560)
Total financial guarantees less allowance for losses	**59,572**	**-**	**-**	**59,572**
Commitments on loans and unused credit lines				
Bank's risk-class of A*	234,663	-	-	234,663
Bank's risk-class of B*	143,288	298	-	143,586
Bank's risk-class of C*	126,742	49,980	-	176,722
Bank's risk-class of E*	3,294	4,320	-	7,614
Bank's risk-class of D*	-	-	615	615
Not rated	25,525	113	50	25,688
Total commitments on loans and unused credit lines	**533,512**	**54,711**	**665**	**588,888**
Less allowance for losses	(1,148)	(135)	-	(1,283)
Total commitments on loans and unused credit lines less allowance for losses	**532,364**	**54,576**	**665**	**587,605**
Letters of credit				
Bank's risk-class of B*	8,320	-	-	8,320
Bank's risk-class of C*	3,869	-	-	3,869
Not rated	547	-	-	547
Total letters of credit, not covered	**12,736**	**-**	**-**	**12,736**
Less allowance for losses	(51)	-	-	(51)
Total letters of credit, not covered less allowance for losses	**12,685**	**-**	**-**	**12,685**

**The grouping by risk-classes, used by the Bank in calculating expected credit losses, is presented in Note 39.*

Legal proceedings – In the normal course of business, customers and counterparties can claim against the Bank. The opinion of the Management is that no material losses will be incurred by the Bank as a result thereof and accordingly no provision has been made in these Financial Statements.

Pensions and retirement plans – As at 31 December 2020 and 31 December 2019, the Bank had no liabilities for any supplementary pension payments, post-retirement health care, insurance benefits, or other retirement benefits to its current or former employees.

During the year, ended 31 December 2020, the Bank contributed to the programme of the additional employees' pensions voluntary insurance, within the framework of the pension plan with defined instalments.

Legislation - Certain provisions of Belarusian business and tax legislation in particular are subject to varying interpretations and may be applied inconsistently. In addition, since interpretations made by the Management may differ from official interpretations and compliance with law may be challenged by the authorities, the Bank may be subject to additional tax payments and fines and other preventive actions. Management of the Bank believes that the Bank has made all required tax and other payments and accruals, therefore no additional provisions have been created in these Financial Statements. A tax period remains open for review by the tax authorities in subsequent periods.

Fiduciary management – In the course of its ordinary activities the Bank concludes agreements with customers (individuals and corporate clients) for trust management of the customers' assets: as a fiduciary the Bank receives cash for trust management to further acquire or sell investment instruments as instructed by the customers

Assets and liabilities related to trust management are not recognized in the Bank's Financial Statements.

Operating environment –The core operations of the Bank are conducted in the Republic of Belarus. The country's economy in the reporting year was influenced by a number of negative factors: a decrease in external and domestic demand due to the COVID-19 pandemic, Russian ruble devaluation, an increase in inflation and devaluation expectations, as well as liquidity outflow from the banking system. According to the National Statistics Committee of the Republic of Belarus the country's annual GDP decreased by 0.9% in 2020 compared to the same period of the previous year.

In order to stimulate the economy, the National Bank of the Republic of Belarus continued to implement a policy aimed at curbing inflationary processes in the monetary targeting regime. From 01.07.2020 the refinancing rate has been lowered to a record 7.75%.

According to the National bank of the Republic of Belarus in 2020 the inflation rate amounted to 7.4% on an annualized basis against the targeted 5%. Accelerating inflation was mainly caused by the increase in pricing of imported goods due to the depreciation of the Belarusian ruble in August 2020 against the backdrop of increased demand for foreign currency. By year-end 2020, the devaluation of the national currency against the US dollar equaled 22.6%.

In third quarter of 2020 there was a negative trend in customer funds and as a result a decline in the liquidity position of the banking system. Standing instruments regulating banks' liquidity were sus in form of pended in order to stabilize the financial market. At the same time, the National Bank of the Republic of Belarus started to provide loans to banks for a period from 6 to 12 months. Additionally, during the shortage of ruble liquidity banks received short-term resource support on an auction basis. By December 2020 customer funds had gradually recovered.

Due to the high level of integration the Belarusian economy is subject to a significant influence from the Russian Federation. Against the backdrop of low oil prices and the introduction of restrictive measures to contain the spread of COVID-19 in the Russian Federation there was a deterioration in the macroeconomic situation of the latter. According to the Federal State Statistics Service in 2020 the Russian GDP decreased by 3.1% compared to the same period of the previous year.

The current sanctions imposed on entities in the Russian Federation often affect Belarusian businesses due to close integration of the two economies. At the same time, there are no legal grounds for the application against Belgazprombank of the sectoral sanctions introduced against the key shareholders of the Bank (Bank GPB (JSC) and PJSC Gazprom). Belgazprombank is not subject to the limitations on certain financial transactions that were imposed against Bank GPB (JSC) since the share of Bank GPB (JSC) in the Bank is currently less than 50% (49.82%). At the same time, limitations on the extraction of mineral resources in hard-to-reach locations imposed against PJSC Gazprom, notwithstanding the fact that PJSC Gazprom share in the Bank amounts to 50.08% (taking into account the 100% share of PJSC Gazprom in OJSC "Gazprom transgaz Belarus"), do not spread over the Bank's operations, since those are not related to the extraction of mineral resources in hard-to-reach locations. The lack of grounds for the limitations provided for by the sectoral sanctions of OFAC when conducting transactions with the Bank is confirmed in the external legal opinion issued in form of a memorandum by the international legal advisor.

On 15 June 2020 the National Bank of the Republic of Belarus introduced a temporary administration at the Bank for a maximum of six months and suspended the Bank's management board. This regulatory action not related with the Bank's financial standing was intended to ensure the continuity of corporate governance of the Bank, its stable functioning during the formation of a new executive body. Also, the National Bank of the Republic of Belarus declared its commitment to support in case of need. The temporary administration terminated prematurely on 10 December 2020 after the goals set at its introduction were achieved. The new Management Board of Belgazprombank took over the powers and authorities to manage the Bank on 11 December 2020.

On 21 December 2020 the international rating agency Fitch Ratings affirmed Belgazprombank's ratings at the highest level possible for Belarusian issuers at present capped by the country ceiling - Long-Term Issuer Default Rating at "B", Outlook Negative.

In 2020 the sovereign ratings of the Republic of Belarus assigned by international rating agencies remained unchanged: Fitch Ratings - "B", Outlook Negative (affirmed on 13 November 2020), Standard & Poor's - "B", Outlook Negative (affirmed on 2 October 2020) and Moody's - "B3", Outlook Stable (affirmed on 28 February 2020).

35. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The ultimate controlling party of the Bank is the Government of the Russian Federation.

For Financial Statements disclosure purposes the Bank groups its related parties into the following categories: shareholders, companies under common control, key management personnel.

Details of transactions between the Bank and the related parties are disclosed below:

	Year ended 31 December 2020				
	Shareholders	**Companies under common control**	**Key management personnel**	**Total**	**Total for Financial Statements' items**
Interest income calculated using the effective interest rate method	15	1,804	156	**1,975**	**337,469**
Other interest income	-	3,682	-	**3,682**	**11,605**
Interest expenses	(22,063)	(21,577)	(112)	**(43,752)**	**(167,698)**
Impaiment loss / (recovery) on financial assets	-	2	(10)	**(8)**	**(67,426)**
Net gain / (loss) from trading operations	12,447	(22,053)	-	**(9,606)**	**(37,140)**
Fee and commission income	40	1,566	4	**1,610**	**89,084**
Fee and commission expenses	(837)	(943)	-	**(1,780)**	**(18,798)**
Operating expenses	(162)	(26)	(13,023)	**(13,211)**	**(165,881)**
salary and other personnel costs	-	-	*(10,853)*		
social security and insurance contributions	-	-	*(2,170)*		

	Year ended 31 December 2019				
	Shareholders	**Companies under common control**	**Key management personnel**	**Total**	**Total for Financial Statements' items**
Interest income calculated using the effective interest rate method	25	4,948	110	**5,083**	**337,341**
Other interest income	-	4,361	-	**4,361**	**15,205**
Interest expenses	(21,423)	(33,885)	(181)	**(55,489)**	**(170,441)**
Impairment loss / (recovery) on financial assets	-	(3)	12	**9**	**(10,818)**
Net gain / (loss) from trading operations	17,346	6,044	-	**23,390**	**35,099**
Fee and commission income	17	1,851	7	**1,875**	**80,682**
Fee and commission expenses	(1,034)	(292)	-	**(1,326)**	**(15,879)**
Other income	8,759	-	-	**8,759**	**17,554**
Operating expenses	-	(14)	(16,408)	**(16,422)**	**(174,406)**
salary and other personnel costs	-	-	*(15,613)*		
social security and insurance contributions	-	-	*(795)*		

Remuneration of the key management personnel for the years ended 31 December 2020 and 31 December 2019 was represented by short-term remunerations.

The statement of financial position as at 31 December 2020 and 31 December 2019 include the following amounts of transactions between the Bank and the related parties:

	31 December 2020				
	Shareholders	**Companies under common control**	**Key management personnel**	**Total**	**Total for Financial Statements' items**
ASSETS:					
Cash and cash equivalents	3,316	64,778	-	**68,094**	**555,329**
Derivative financial instruments, assets	-	1	-	**1**	**481**
Loans to customers	-	3	1,154	**1,157**	**2,893,293**
Including loss allowance	-	-	*(15)*	***(15)***	***(184,751)***
Other assets	2	113	-	**115**	**23,434**
Including loss allowance	-	*(1)*	-	***(1)***	***(1,105)***
LIABILITIES:					
Derivative financial instruments, liabilities	88	167	-	**255**	**641**
Due to banks and other financial institutions	266,720	334,926	-	**601,646**	**835,192**
Due to customers	-	66,164	5,432	**71,596**	**1,927,956**
Term deposits	-	65,252	4,931	**70,183**	**1,342,879**
Current/settlement accounts and demand deposits	-	912	501	**1,413**	**585,077**
Other liabilities	226	44	2,363	**2,633**	**21,925**
Subordinated debt	177,497	-	-	**177,497**	**177,497**
Contingent financial liabilities	-	5,806	775	**6,581**	**531,664**

	31 December 2019				
	Shareholders	Companies under common control	Key management personnel	Total	Total for Financial Statements' items
ASSETS:					
Cash and cash equivalents	3,828	29,287	-	**33,115**	**675,919**
Securities at fair value through profit or loss	-	158,100	-	**158,100**	**213,971**
Derivative financial instruments, assets	181	189	-	**370**	**1,151**
Loans to customers	-	8	763	**771**	**3,327,739**
*including loss allowance**	-	-	*(5)*	***(5)***	***(109,790)***
Other assets	2	106	2	**110**	**32,365**
Including loss allowance	-	*(3)*	-	***(3)***	***(2,824)***
LIABILITIES:					
Derivative financial instruments, liabilities	15	71	-	**86**	**89**
Due to banks and other financial institutions	195,803	312,293	-	**508,096**	**884,309**
Due to customers	-	748,387	5,472	**753,859**	**3,010,607**
Term deposits	-	217,840	4,773	**222,613**	**1,788,993**
Current/settlement accounts and demand deposits	-	530,547	699	**531,246**	**1,221,614**
Other liabilities	225	16	1,124	**1,365**	**22,118**
Subordinated debt	173,283	-	-	**173,283**	**173,283**
Contingent financial liabilities	-	1,085	534	**1,619**	**693,361**

As at 31 December 2020 the Bank reflected contingent financial claims to the related parties against the counter-guarantee at the amount of BYN 5,806 thousand.

As at 31 December 2019 the Bank reflected contingent financial claims to the related parties against the counter-guarantee at the amount of BYN 10,180 thousand and claims for cash against the banks at the amount of BYN 613 thousand.

Transactions with related parties were performed under conditions similar to those with unrelated parties.

As at 31 December 2020 the due to banks is represented by interbank loans in foreign currency with the average weighted contract rate of 2,76%. As at 31 December 2019 the due to banks is represented by interbank loans in foreign currency with the average weighted contract rate of 5,42%.

As at 31 December 2020 the average weighted contract rate on buelorussian ruble – denominated cutomer deposits is 15,72% (as at 31 December 2019 – 6,96%), denominated in foreign currency - 2,39% (as at 31 December 2019 - 2,54%).

Additional information about terms and conditions of transactions with related parties can be found in the following notes: transactions with securities carried at fair value through profit or loss – Note 16, transactions with subordinated debt – Note 30.

36. SEGMENT ANALYSIS

To provide the shareholders and management of the Bank with analytical information to make effective management decisions with regard to the business development certain types of the Bank's management statements are prepared with a breakdown by operating segments.

Operating segments of the Bank are:

"Corporate Business" operating segment is the Bank's operating segment that represents activities related to transactions with customers, both entrepreneurs and corporate clients (credit transactions, acquisition and issue of securities, opening of deposits and current accounts, foreign currency transactions, commission and other banking transactions).

"Retail Business" operating segment is the Bank's operating segment that represents activities related to transactions with individuals (credit transactions, issue of securities, opening of deposits and current accounts, foreign currency transactions, commission and other banking transactions).

"Investment and Banking Business" operating segment is the Bank's operating segment that represents activities related to transactions with customers represented by banks and non-banking financial organizations.

Amounts that have not been classified into the above operating segments represent the "Unallocated amounts" category.

The performance of these segments is presented in the form of management statements. The major part of these statements is represented by the financial result and balance sheet figures t of assets and liabilities.

All income and expenses of the Bank recorded in accounting are analyzed and segmented to form the financial result. There are the following types of income and expenses depending on the applied method of segmentation:

- direct income and expenses that are allocated between the operating segments based on analytical indicators in the Bank's accounting systems;
- allocated income and expenses that are distributed between the operating segments taking into account the selected allocation rule allowing to ensure the maximum accuracy of the distribution with an acceptable level of work efforts;
- transfer income and expenses that are allocated between the operating segments as part of the transfer pricing system based on the funding matrix and internal transfer pricing rules.

Assets and liabilities of the operating segments are presented as a balance report with a breakdown by operating segments. All balance sheet accounts of the Bank are analyzed and segmented to form the balance by operating segments.

Information on profit or losses by operating segments for the year, ended 31 December 2020 is presented below:

	31 December 2020	**Corporate Business**	**Retail Business**	**Investment and Banking business**	**Unallocated amounts**
Interest income calculated using the effective interest rate method	337,469	198,251	107,044	32,174	-
Other interest income	11,605	1,899	-	9,706	-
Interest expenses	(167,698)	(56,401)	(44,940)	(66,303)	(54)
NET INTEREST INCOME	181,376	143,749	62,104	(24,423)	(54)
Impairment (loss) / recovery on financial assets	(67,426)	(53,358)	(13,260)	(1,643)	835
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES ON FINANCIAL ASSETS	113,950	90,391	48,844	(26,066)	781
Net gain from investment securities at FVOCI reclassified to income statements	(2,662)	-	-	(2,662)	-
Net gain from foreign exchange operations	53,246	22,611	39,949	(9,314)	-
Net (loss)/gain from trading operations	(37,140)	(1,860)	461	(35,741)	-
Fee and commission income	89,084	21,905	67,020	159	-
including:					
bank payment card operations	*56,111*	-	*56,111*	-	-
settlement and cash operations with clients	*30,542*	*20,108*	*10,364*	*70*	-
documentary operations	*1,750*	*1,675*	-	*75*	-
foreign currency operations	*67*	-	*67*	-	-
other	*614*	*122*	*478*	*14*	-
Fee and commission expenses	(18,798)	(1,600)	(16,888)	(308)	(2)
including:					
bank payment card operations	*(15,162)*	-	*(15,162)*	-	-
maintenance of bank accounts	*(1,307)*	*(1,192)*	*(97)*	*(16)*	*(2)*
foreign currency operations	*(1,035)*	*(220)*	*(738)*	*(77)*	-

31 December 2020		Corporate Business	Retail Business	Investment and Banking business	Unallocated amounts
payments accepted in favor of the bank	*(366)*	-	*(366)*	-	-
securities operations	*(191)*	-	-	*(191)*	-
documentary operations	*(162)*	*(139)*	-	*(23)*	-
other	*(575)*	*(49)*	*(525)*	*(1)*	-
Net loss on operations with precious metals	(1,892)	(1,756)	(136)	-	-
Impaiment loss on off-balance sheet commitments	(311)	(251)	(60)	-	-
Net profit arising from the derecognition of financial assets measured at amortised cost	1,576	-	1,576	-	-
Other income	10,915	594	8,181	109	2,031
NET NON-INTEREST INCOME	94,018	39,643	100,103	(47,757)	2,029
Net operating segment transfer income	-	(69,834)	10,003	29,351	30,480
OPERATING INCOME	207,968	60,111	159,011	(44,575)	33,421
OPERATING EXPENSES	(165,881)	(61,502)	(76,350)	(6,266)	(21,763)
Profit before income tax	42,087	(1,391)	82,661	(50,841)	11,658
Income tax expense	(2,352)	-	-	-	(2,352)
NET PROFIT	**39,735**	**(1,391)**	**82,661**	**(50,841)**	**9,306**

Information on profit or losses by operating segments for the year, ended 31 December 2019 is presented below:

	31 December 2019	Corporate Business	Retail Business	Investment and Banking business	Unallocated amounts
Interest income calculated using the effective interest rate method	337,341	186,953	110,190	40,198	-
Other interest income	15,205	2,487	-	12,718	-
Interest expenses	(170,441)	(67,953)	(44,937)	(57,453)	(98)
NET INTEREST INCOME	182,105	121,487	65,253	(4,537)	(98)
Impairment loss on financial assets	(10,818)	(3,462)	(5,153)	(2,189)	(14)
NET INTEREST INCOME AFTER IMPAIRMENT LOSSES ON FINANCIAL ASSETS	171,287	118,025	60,100	(6,726)	(112)
Net gain from investment securities at FVOCI reclassified to income statements	822	-	-	822	-
Net gain/(loss) from foreign exchange operations	13,070	13,343	2,953	(3,226)	-
Net gain/(loss) from trading operations	35,099	3,363	1,990	29,783	(37)
Fee and commission income	80,682	22,485	58,083	114	-
including:					
bank payment card operations	*46,096*	-	*46,096*	-	-
settlement and cash operations with clients	*30,980*	*19,866*	*11,047*	*67*	-
documentary operations	*2,319*	*2,277*	-	*42*	-
foreign currency operations	*415*	-	*415*	-	-
other	*872*	*342*	*525*	*5*	-
Fee and commission expenses	(15,879)	(1,786)	(12,786)	(1,306)	(1)
including:					
bank payment card operations	*(11,922)*	-	*(11,922)*	-	-
maintenance of bank accounts	*(2,545)*	*(1,631)*	*(103)*	*(810)*	*(1)*
foreign currency operations	*(473)*	-	*(225)*	*(248)*	-
payments accepted in favor of the bank	*(298)*	-	*(298)*	-	-
securities operations	*(143)*	-	-	*(143)*	-
documentary operations	*(138)*	*(127)*	-	*(11)*	-
other	*(360)*	*(28)*	*(238)*	*(94)*	-
Net loss on operations with precious metals	(4,432)	(2,615)	(1,817)	-	-
Impairment recovery/(loss) on off-balance sheet commitments	277	352	(75)	-	-

	31 December 2019	Corporate Business	Retail Business	Investment and Banking business	Unallocated amounts
Net profit arising from the derecognition of financial assets measured at amortised cost	3,369	-	3,369	-	-
Other income	17,554	382	5,253	605	11,314
NET NON-INTEREST INCOME	130,562	35,524	56,970	26,792	11,276
Net operating segment transfer income	-	(47,960)	12,651	5,302	30,007
OPERATING INCOME	301,849	105,589	129,721	25,368	41,171
OPERATING EXPENSES	(174,406)	(54,067)	(74,928)	(6,293)	(39,118)
Profit before income tax	127,443	51,522	54,793	19,075	2,053
Income tax expense	(15,905)	-	-	-	(15,905)
NET PROFIT	**111,538**	**51,522**	**54,793**	**19,075**	**(13,852)**

Information on assets and liabilities by operating segments as at 31 December 2020 and 31 December 2019 is presented below:

	31 December 2020	Corporate Business	Retail Business	Investment and Banking business	Unallocated amounts
Assets	**4,163,095**	**2,277,835**	**623,725**	**973,767**	**287,768**
Liabilities	**3,436,070**	**848,409**	**1,163,047**	**1,234,951**	**189,663**

	31 December 2019	Corporate Business	Retail Business	Investment and Banking business	Unallocated amounts
Assets	**4,998,546**	**2,665,032**	**669,625**	**1,403,894**	**259,995**
Liabilities	**4,248,243**	**1,683,580**	**1,405,104**	**962,337**	**197,222**

The largest part of the revenue from the transactions with the customers accounts for the transactions with residents of the Republic of Belarus.

The calculation of transfer income and expenses of operating segments is based on the Bank's funding matrix for the reporting period.

The construction of the funding matrix consists of correlating the Bank's liabilities and assets (funding certain assets with certain liabilities) in accordance with a set of certain methodological rules.

Transaction income from an operating segment occurs when the liabilities of that operating segment are used to fund the assets of another operating segment. The transfer expense of an operating segment occurs when the assets of a given operating segment are funded by liabilities of another operating segment.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Under IFRS the fair value is determined based on the price that would be received to sell an asset, or paid to transfer a liability in an ordinary transaction between market participants at the measurement date.

For financial assets and liabilities carried at amortized cost with short maturities (less than 3 months) it is assumed that the carrying amounts approximates fair value. This assumption is also applied to demand deposits and current accounts without maturity.

The financial assets and liabilities presented below are classified by the Bank at fair value hierarchy level 3.

Due from the National Bank of the Republic of Belarus, banks and other financial institutions

The fair value of term deposits in banks, according to management, is not significantly different from the carrying value as all deposits are placed with a floating interest rate or a fixed interest rate that corresponds to the market rate.

Loans to customers

Loans to customers have both floating and fixed interest rates.

The fair value of loans with floating rates, according to management, approximates their carrying value.

For loans with fixed rates, there is a practice to renegotiate interest rates to reflect current market conditions, as a result, interests on most balances are accrued at rates approximating market rates. Due to these factors, the fair value of loans with a fixed rate does not materially differ from their carrying value.

Due to banks and other financial institutions

Loans from banks and other financial institutions have both floating and fixed interest rates. The fair value of borrowed funds at floating interest rates, according to management, approximates their carrying value.

For the majority of loans with fixed-rate maturities do not exceed one year. Due to these factors, the fair value of loans with a fixed rate does not materially differ from their carrying value.

Due to customers

Customer deposits have both floating and fixed interest rates. The fair value of deposits with floating rates, according to management, approximates their carrying value.

For deposits with fixed rates, there is a practice to renegotiate interest rates to reflect current market conditions, as a result, interests on most balances are accrued at rates approximating market rates. Due to these factors, the fair value of deposits with a fixed rate does not materially differ from their carrying value.

Debt securities issued

Debt securities are issued by the Bank at fixed rates. On the whole, the debt financial instruments rates are in line with the market rates. The management believes that the fair value of such instruments does not significantly differ from their carrying values.

Subordinated debt

The fair value of subordinated debt carried at amortized cost is calculated as the present value of cash flows using the relevant market rate for these instruments as at the reporting date.

The following table shows the carrying value of subordinated debt and their fair value:

	Level of the fair value hierarchy	31 December 2020		31 December 2019	
		Carrying amount	Fair value	Carrying amount	Fair value
Subordinated debt	Level 3	177,497	177,917	173,283	171,756

The fair value of financial assets and financial liabilities, recognized at fair value on an ongoing basis, and classified by the Bank to hierarchy levels 1 and 2

Some financial assets and financial liabilities of the Bank are recorded at fair value as at the end of each reporting period. The table below provides information on how the fair value of these financial assets and financial liabilities is determined (including valuation techniques used, and the inputs). During the periods, ended 31 December 2020 and 31 December 2019, the Bank didn’t make any transfers between fair value hierarchy levels.

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Method(s) of assessment and key inputs	Significant unobservable inputs	The dependence of the unobservable inputs and fair value
	31 December 2020	31 December 2019				
Securities at fair value through profit or loss (Note 16)	89,314	213,971	Level 1	Observed instrument quotations.	Not applicable	Not applicable
Derivative financial instruments (assets) (Note 17)	432	487	Level 2	Discounted cash flows. Future cash flows are estimated using the interest rates parity model. The rates for short-term interbank placements nominated in the relevant currency and with relevant maturity periods are applied as rates for the model.	Not applicable	Not applicable
Precious metals derivatives (assets) (Note 17)	-	664	Level 2	The net result between the discounted fair value of the claim for cash / precious metals and obligations to supply / pay precious metals / cash. The fair value of claims / liabilities for precious metals is the accounting price of the respective precious metal set by the National Bank of the Republic of Belarus. Fair value of claims/commitments to receive/deliver cash is determined as a cash flow calculated based on the terms and conditions of the contract.	Not applicable	Not applicable
Derivative financial instruments with securities (assets) (Note 17)	49	-	Level 2	The net result between the discounted fair value of the claim for cash / securities and obligations to supply / pay securities / cash. The fair value of claims/liabilities for securities is the bid quotation prices in an active market Fair value of claims/commitments to receive/deliver cash is determined as a cash flow calculated based on the terms and conditions of the contract.	Not applicable	Not applicable
Investment securities net of equity investments quoted in the domestic market (Note 20)	364,356	516,062	Level 2	Discounted cash flows. Rates are defined as the rates for financial instruments with similar level of risk nominated in the relevant currency and with relevant maturity periods.	Not applicable	Not applicable
Investment securities (listed equity financial instruments (Note 20))	9,702	6,620	Level 1	Observed instrument quotations	Not applicable	Not applicable

Financial assets/ financial liabilities	Fair value as at		Fair value hierarchy	Method(s) of assessment and key inputs	Significant unobservable inputs	The dependence of the unobservable inputs and fair value
	31 December 2020	**31 December 2019**				
Derivative financial instruments (liabilities) (Note 17)	291	86	Level 2	Discounted cash flows. Future cash flows are estimated using the interest rates parity model. Rates are defined as the sovereign risk rates for financial instruments nominated in the relevant currency and with relevant maturity periods.	Not applicable	Not applicable
Precious metals derivatives (liabilities) (Note 17)	-	3	Level 2	The net result between the discounted fair value of the claim for cash / precious metals and obligations to supply / payment for precious metals / cash. The fair value of claims / liabilities for precious metals is the accounting price of the respective precious metal set by the National Bank of the Republic of Belarus. Fair value of claims/commitments to receive/deliver cash is determined as a cash flow calculated based on the terms and conditions of the contract.	Not applicable	Not applicable
Derivative financial instruments with securities (liabilities) (Note 17)	350	-	Level 2	The net result between the discounted fair value of the claim for cash / securities and obligations to supply / pay securities / cash. The fair value of claims/liabilities for securities is the bid quotation prices in an active market Fair value of claims/commitments to receive/deliver cash is determined as a cash flow calculated based on the terms and conditions of the contract.	Not applicable	Not applicable

38. CAPITAL MANAGEMENT

The following table analyzes the Bank's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee (Basel II):

	31 December 2020	31 December 2019
Composition of regulatory capital:		
Tier 1 capital:		
Share capital	535,944	535,944
Retained earnings	170,349	188,562
Total Tier 1 capital	**706,293**	**724,506**
Subordinated debt	39,202	72,024
Investment securities revaluation reserve	20,732	25,797
Total regulatory capital	**766,227**	**822,327**
Risk weighted assets	4,458,359	4,859,991
Capital adequacy ratios:		
Tier 1 capital	16%	15%
Total capital	17%	17%

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain ratios of Tier 1 capital (4%) and total capital (8%) to total risk weighted assets.

The Bank manages its capital to ensure compliance with legislation requirements and ability to continue as a going concern while maximizing the return to shareholders through the optimization of the debt to equity ratio of the Bank.

The Bank's management reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the Bank's own regulatory funds with quantified assessment of the risks it undertakes (risk-weighted assets). The Bank`s management estimates the amount of capital required to achieve strategic objectives and the planned increase of assets, as well as optimal balance between profitability and capital adequacy, considering requirements of the shareholders, partners of the Bank as well as banking supervisory and regulatory authorities. The Bank performs analysis of risk factors that influence the Bank's capital and optimizes these risks by means of a balanced funding policy.

The National Bank of the Republic of Belarus sets and controls performance of the following requirements to the regulatory capital of the Bank calculated based on the financial information prepared in accordance with the legislation of the Republic of Belarus:

Ratio of Tier 1 fixed capital to risk weighted assets - 4.5% (6.5% taking into account the conservation[1] and counter-cyclical buffer[2]; 6.5% taking into account the conservation and countercyclical buffers; 8% taking into account the conservation, countercyclical and systemic importance buffers),Ratio of Tier 1 capital to risk weighted assets - 8%; Ratio of regulatory capital of the Bank to risk weighted assets - 10% (12% taking into account the conservation buffer).

As at 31 December 2020 and 31 December 2019, the Bank ensured compliance with all external regulatory requirements in relation to capital.

[1] In accordance with the Resolution of the Board of the National Bank of the Republic of Belarus dated 18 March 2020 No. 81 "On certain issues of regulating the activities of banks in 2020" in the period through 31 December 2020, the conservation buffer was reduced from 2.5% to 2.0%.

[2] The value of the countercyclical buffer is set by the National Bank of the Republic of Belarus in the range from 0 to 2.5%; as of 31 December 2020 and during the reporting year, this value was set at 0%.

39. RISK MANAGEMENT POLICIES

Risk management is fundamental to the Bank's business. The Bank manages risks in the course of an ongoing process of identification, assessment and monitoring as well as through establishing risk limits and other control measures. The Bank's activities are subject to credit risk, liquidity risk and market risk, which comprises risks associated with changes in interest rates, currency exchange rates, as well as stock and commodity prices. The Bank's activities are also subject to operational risks and other non-financial risks (reputational and strategic risks).

Risk management structure

The Board of Directors carries general responsibility over risks identification and control. The Board of Directors ensures general organization of the risk management system, elimination of conflicts of interest and conditions to its occurrence within the risk management process. The Board of Directors approves the risk management system development strategy and the Risk Management and Capital Policies of the Bank, determines the maximum risk exposure in the form of tolerance risk which is defined as the acceptable (safe) risk level for ensuring the financial reliability and long-term operation of the Bank on the basis of the strategy, nature, scope and complexity of the types of activity and the financial position. The Risk Committee of the Board of Directors bears responsibility for creating an effective risk management system of the Bank, ensuring the appropriate level of financial reliability and information security, ensuring compliance of the Bank's risk profile with the strategic characteristics of its activity, exercising control over the compliance with the established restrictions (limits) according to the Bank’s risk level (including the risk appetite). The Management Board organizes the Bank's risk management system and ensures that the Bank performs the objectives and goals set forth by the Board of Directors in the relevant sphere. The Management Board and the policy-making committee, within their respective authorities, approve regulations on the management of certain risk types that are developed to implement the strategic development plan and in compliance with the Risk Management and Capital Policies set forth the procedure and the frequency for the provision of risk reports to the governing bodies, collective bodies of the Bank. The Management Board bears responsibility for the operating effectiveness of the risk management system, for the maintenance of adequate risk profile of the Bank. Committees implement policies for managing certain risk types, set limits and restrictions for certain types of banking operations, financial instruments or operators, exercise control over prescribed risk levels and make decisions aimed at minimizing negative impact of the risks on the Bank’s activities. Credit Committees, Assets and Liabilities Management Committee, the Restructuring Committee make decisions on operations exposed to risks within the authority delegated by the Management Board.

Risk Management Department coordinates the risk management process, develops techniques to assess the level of credit, market, operational, liquidity, reputational and strategic risks, regularly assesses and monitors the specified risks and aggregated risk of the Bank, performs risk stress testing, carries out independent expert review of the credit transactions within the prescribed authority and prepares risk reports for the management of the Bank, shareholders and stakeholders of the Bank. Risk Management Department is independent from subdivisions (officers) of the Bank generating main risks of the Bank, which allows to ensure the provision of complete and accurate information on risk profile of the Bank to the management of the Bank.

Within the internal control system the Internal Audit Department assesses whether methodology and procedures on risk management are fully and effectively implemented, assesses the management effectiveness of certain types of risks and the risk management system of the Bank as a whole.

Departments of the Bank (individual officers) are responsible for risk identification for the lines of business, development and implementation of measures for minimization and operational control over risks related to their operation within the given authority.

As a part of risk management measures the Bank provides employees with powers of attorney which define authority levels that do not require approval of management bodies of the Bank.

Risk assessment and reporting systems

The Bank’s risks are evaluated based on probability-weighted quantitative methods allowing to establish the maximum threshold of possible loss in monetary terms, which will not be exceeded with a certain level of probability. The Bank also simulates the “stress scenarios” which will take place in case unlikely events occur.

A system of limits is in place in the Bank to monitor and control risks. The Bank’s system of limits is multilevel and includes limits for specific counterparties, portfolios, groups of assets and operations of the Bank recognized both in and off the balance sheet, limits on transactions with certain financial instruments, limits on the amount of loss, as well as limits on authorities and structural limitations. In the course of its activities the Bank takes into account the prudential ratios set by the National Bank. The main basis for limits setting is the maximum risk tolerance, which should not exceed the equity of the Bank (for the year 2020 the Board of Directors approved a threshold of 85% of the Bank’s available equity).

The management bodies of the Bank make decisions aimed at optimization of risk levels and also set limits on maximum risk for particular activities. They also set maximum risk levels at which the activity bearing the risk is suspended and steps aimed at risk minimization and mitigation are taken. The Assets and Liabilities Management Committee sets limits for divisions of the Bank on certain active and passive operations, interest rate level associated with them, limits on active operations with financial institutions, limits on operations with securities, industry limits of credit risk. Credit Committees approve aggregate limits and sub-limits on certain types of active transactions with corporate clients, limits on the amount of borrowers financing and the terms for financing.

The Management Board distributes and approves maximum risk for various banking activities in accordance with strategic priorities and analysis of the existing trends in the Bank and their possible future changes submitted by Risk Management Department.

Regional offices must adhere to the principles of risk management accepted by the Bank. Control over compliance with the set limits is performed on an on-going basis. Such control is performed by the employees who execute banking transactions in an ordinary course of business, by the Internal Control and Audit Department in the course of audits, by Risk Management Department in the course of risk evaluation and monitoring, by the Reporting Department during preparation of prudential financial statements. External control is carried out by the Revision Commission of the Bank.

Information on all types of activities is examined and processed with the purpose of analysis, control and early risk identification. The information together with relevant commentary is submitted to the Board of Directors, Risk Committee of the Board of Directors, Management Board, shareholders of the Bank, committees of the Bank responsible for management of certain risks control, and to the managers of departments of the Bank. The reports contain information on the Bank’s capital adequacy, risk profile, the levels of aggregate risk and certain risk types, major factors influencing these levels and changes in risk level. The Management Board receives a detailed quarterly report on risks with the information necessary for risks evaluation and decision-making. Additionally, each month the Risks Committee of the Board of Directors is informed on the amount of the economic and available capital of the Bank and on the Bank’s capital adequacy.

The system of risk reporting implemented in the Bank enables access of all departments to the accurate information which is required for the management decisions.

Excessive concentration of credit risks

Risk concentration occurs in case a number of counterparties perform similar activities or activities taking place in one geographical region, or parties have similar economic characteristics. As a result of changes in economic, political and other conditions risk concentration has similar impact on the ability of these parties to meet their contractual obligations. Risk concentration reflects relative sensitivity of the Bank’s performance to the changes in conditions which have impact on particular industry or geographical region.

In order to avoid excessive risk concentration the Bank’s policies and procedures comprise guidelines and limits aimed at maintenance of diversified portfolios, including by the types of active operations, industries, the sources of their resources, currency types.

Credit risk

Credit risk is the risk that the Bank will incur losses in case its clients or counterparties do not meet their contractual obligations. The Bank manages credit risk by setting maximum risk it is ready to accept for certain counterparties, geographical and industry risk concentration, as well as by monitoring compliance with the credit limits set.

Credit risk is managed in three directions: transactions with corporate clients, transactions with retail customers, transactions with financial institutions.

Levels of assumed credit risk are managed by the following procedures:

- segregation of duties between authorized management bodies in decision-making process;
- limits setting for operations with the purpose of credit risk minimization;
- regular analysis of debtors' financial position and their ability to meet credit obligations;
- requirement of collateral for credit operations in order to limit risk exposure;
- constant monitoring of the level and status of the risks taken and preparation of appropriate risk reports to the Board of Directors, Risk Committee of the Board of Directors, Management Board, shareholders of the Bank and other stakeholders;
- evaluating and ensuring capital adequacy necessary for coverage of risks taken by the Bank in the course of business;
- ongoing internal control over adherence to the policies regulating operations, risks assessment and management carried out by the Internal Control and Audit Department.

Off-balance sheet credit commitments represent undrawn portions of credit facilities, guarantees and unsecured letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. In relation to credit risk associated with off-balance sheet financial instruments the Bank potentially carries loss which equals to total amount of unused credit lines. However, the probable amount of loss is less than total amount of unused credit lines since in the majority of cases commitments on loans arise if the clients meet certain creditworthiness indicators. The Bank applies the same credit policy to contingent liabilities as it does to loans, which is based on the procedures of approval of loans granting, setting of risk limits and constant monitoring.

The Bank implemented credit risk escalation procedure for the purpose of early identification and control over credit risks.

The Bank assesses a credit risk on the basis of qualitative and quantitative characteristics of the risk. The qualitative assessment of credit risk by separate transactions is carried out while analyzing the financial statements and non-financial information about the customer (business reputation, competitive position, transparency of the ownership structure, etc.) in interconnection with the required transaction parameters both when credit experts prepare economic reports on the possibility to carry out transactions and when the employees of Risk Management Department carry out independent expert review of the credit transaction risk assessment. The assessment of the quality of loan portfolio is performed on the basis of set credit risk indicators. The Bank carries out quarterly credit risk quantitative evaluation, which is based on the assessment of the probability of the events leading to risk, which allows to assess potential losses. The results of evaluation are submitted to the Credit Committees and the Management Board and are the basis for amendments of the credit policy.

The Bank estimates the amount of loss allowance for loans to corporate customers based on its past loss experience for portfolios of loans, current situation and expectations.

As for financial assets, which can be alienated without bank's consent, as a result of fulfillment or non-fulfillment of obligations by the counterparty or third parties under the terms and conditions of transactions concluded by the Bank, the credit risk is assessed in respect of a counterparty whose fulfillment or non-fulfillment of obligations gives rise to such a right.

Maximum credit risk exposure

For financial assets recognized in the statement of financial position the maximum exposure to credit risk equals to a carrying value of those assets, net of expected credit losses. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in case of credit lines commitments, if the loan amount was called on less expected credit losses.

The maximum amount of credit risk of the Bank may vary significantly depending on individual risks of different assets and general market risks.

The following table presents the maximum exposure to credit risk on financial assets and contingent liabilities.

	31 December 2020	**31 December 2019**
Cash and cash equivalents (excluding cash on hand)	467,034	611,112
Securities at fair value through profit or loss	89,314	213,971
Derivative financial instruments	481	1,151
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	33,390	36,297
Loans to customers	2,893,293	3,327,739
Investment securities (excluding equity investments)	364,356	516,062
Other financial assets	16,775	24,020
Financial guarantees issued and similar commitments	85,043	59,571
Letters of credit not covered by cash	12,968	12,685
Total	**3,962,654**	**4,802,608**

When measuring credit risk and expected credit losses the Bank assesses whether the credit risk of a financial asset has increased significantly since initial recognition.

Significant increase in credit risk

When determining whether the credit risk on a financial asset 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 assessment and including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs, which manifests in a decrease of the rating, and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgement and, where possible, relevant historical experience, the Bank may determine that an exposure of a financial asset has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Bank recognizes a significant increase of credit risk using the following list of qualitative characteristics:

- internal rating of the debtor since initial recognition of a credit liability has decreased by 2 or more levels of the internal credit rating;
- seizure of the debtor's current accounts (suspension of operations) as at the reporting date;
- existence of overdue amounts payable as at the last reporting quarter date exceeding revenue as at the respective date;
- occurrence of force majeure circumstances stipulated in the contract and other circumstances that have not resulted in the termination of the debtor's operations but leading to doubts with regard to the debtor's ability to meet its obligations;
- restructuring of debt on a financial asset caused by commercial need (not related to the deterioration of the financial condition of the debtor);
- imposition of sanctions on a counterparty bank by controlling authorities and regulators;
- non-compliance with the capital requirements, including capital adequacy, liquidity, set by the supervisory authority of the country, where the bank is registered;
- the establishment of the interim management administration.

The Bank 's sensitivity to a significant increase in credit risk has decreased almost twice during 2020 year. As at 31 December 2020 the impact of the transition of all financial assets assigned by the Bank to the first stage to the second stage in case of realization of any of the criteria indicating a significant increase in credit risk would lead to an increase in the amount of reserves for expected credit losses by BYN 4,287 thousand or 2.5%.

As at 31 December 2019, the impact of the transition to the second stage of all financial assets assigned by the Bank to the first stage would lead to an increase in the amount of reserves for expected credit losses by BYN 7,941 thousand or 7.9%.

The main reason of the reduced sensitivity to a significant credit risk increase in 2020 was the updated expected credit loss calculation methodology for the corporate clients' portfolio, by changing the approach to the classification of the financial assets to the stage 2. In order to reduce the risk of expected credit loss underestimation all the financial assets, relating to the same debtor,are to be classified at a higher stage in case at least one of the financial assets has got indicators of a significant credit risk increase. As at 31 December 2019 the assessment of a significant increase in credit risk was carried out in terms of individual financial assets disregarding the existence of other financial assets of the same debtor, assigned to Stage 2. This update caused an increase in expected credit losses by BYN 633.2 thousand, or 0.4%.

As an indicator of a significant credit risk increase for a financial asset since its initial recognition, the Bank considers an overdue debt on principal and interest for the asset from 31 to 90 days, or up to 14 days for assets with counterparty banks and of security issuers. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

Impairment of financial instruments

Impairment events include the following factors:

- existence as at reporting date of principal and/or interest amounts payable to the Bank under a contract that are overdue by 90 or more days for corporate customers and individuals and for a period of more than 14 days for counterparty banks and issuers of securities;
- presence of debt on principal on off-balance accounts of the Bank;
- recognition of property in the balance of the Bank to pay off debt;
- loss of a counterparty bank recognized as at two or more quarter dates in a row amounting to more than 25% of the capital as at the last quarter date;
- decrease of the debtor's internal rating to "D" grade;
- restructuring of the debt under a financial asset related to a deteriorated financial position of the debtor;
- the debtor has been recognized as insolvent (bankrupt);
- a claim has been filed to recognize the debtor as insolvent (bankrupt), and the court rendered a decision to initiate legal proceedings on the claim;
- an authorized body of the Bank has decided to early collect the debtor's debt;
- revocation of the license of a counterparty bank to carry out its activities that may affect the fulfillment of its obligations.

Definition of default

The Bank considers a financial asset to be in default when:

- the customer has been recognized as insolvent (bankrupt);
- a claim has been filed to recognize the customer as insolvent (bankrupt), and the court rendered a decision to initiate legal proceedings on the claim;
- an authorized body of the Bank has decided to early collect the customer's debt;
- the customer or a counterparty fails to fulfill its obligations to pay the principal and/or interest amounts to the Bank during more than 90 calendar days as at the rating calculation date;
- an authorized body of the Bank has decided to perform a forced restructuring of the customer's debt due to a write-off of a significant portion of the debt or provision of a grace period for repaying the principal and interest amounts, after which, based on a reasoned conclusion of the authorized body agreed with the risk management department, a decrease of the customer's liabilities under the loan transaction towards the Bank is expected.

Expected credit losses model

For the purpose of creating an allowance for the Bank's financial assets, the Bank applies the expected credit losses model to record changes in credit quality of a financial asset since initial recognition taking into account reasonable and appropriate historical information, factors specific to the debtor, current conditions and future economic situation.

Allowance for credit losses calculated using the expected credit losses model are measured as follows:

- based on 12-months ECLs (12-month ECLs are the portion of the lifetime ECLs that represent expected credit losses arising due to default events related to a financial asset that are possible within 12 months after the reporting date); or
- based on lifetime ECLs in case of a significant increase in credit risk for the instrument since its initial recognition, as well as in case of its impairment.

The Bank defines the following stages depending on the degree of credit risk change since initial recognition:

Stage 1 – "Satisfactory assets" – includes assets that are exposed to credit risk with no indicators of a significant increase in credit risk and impairment (12-months ECLs are calculated);

Stage 2 – "Assets with a significant increase in credit risk" – includes assets that are exposed to credit risk and with indicators of a significant increase in credit risk and with no indicators of impairment (lifetime ECLs are calculated). A financial asset is reclassified into Stage 1 in future periods if there are no indicators of impairment and a significant increase in credit risk. 12-Months ECL are recognized in case of such reclassification.

Stage 3 – "Impaired assets" – includes assets that are exposed to credit risk and with indicators of impairment (lifetime ECLs are calculated).

In future reporting periods, migration of financial assets from Stage 3 into Stage 2 or Stage 1 attributable to the restoration of financial assets credit quality is subject to certain restoration criteria, provided there are no indicators of impairment as at the reporting date, and indicators of a significant increase in credit risk exist (for Stage 2) or are absent (for Stage 1).

While estimating expected credit losses as at 31 December 2020 the analysis of the impact on the financial indicators of the implementation of the Decree of the President of the Republic of Belarus №159 called "About the recalculation of the value of assets and liabilities" (hereinafter, the Decree №159) by corporate clients was carried out. The Decree № 159 permits the currency exchange differences to be gradually recognized in the current financial result. The Decree was adopted to prevent a sharp decrease in the financial performance of business entities and to minimize negative impact of the fluctuations of the exchange rate of the Belarusian ruble.

In order to minimize the risk of underestimation of the factors of significant increase in credit risk in a deteriorating economic environment for clients, including the epidemiological situation, as at 31 December 2020 the financial assets of the biggest clients, that took advantage of the Decree №159 and the implementation of which effected their financial indicators significantly, were assigned to the Stage 2. These changes caused the increase in allowances for expected credit losses by BYN 6,184.7 thousand, or 3.8%.

Measurement of ECLs

The calculation of expected credit losses allowance is made based on the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

The following groups of financial instruments are distinguished when measuring expected credit losses:

- cash equivalents;
- loans (to corporate clients and individuals);
- due from the National Bank of the Republic of Belarus, banks and other financial institutions;
- credit related commitments (financial guarantees, letters of credit, undrawn loan facilities etc.);

- accounts receivable and other financial assets;
- claims to sovereign and sub-sovereign debtors.

Loans to individuals

Expected credit losses for loans to individuals are calculated on a portfolio basis. The annual PD for loans to individuals is determined by multiplying month migration matrices by overdue debt developed for a period of at least 12 months preceding the reporting date. For the purpose of calculating PD profiles for multiple years mathematical extrapolation methods are used.

To calculate the amount of default for loans to individuals the level of cash compensation is used. The level of cash compensation after default is calculated by comparing the principal amounts under defaulted loans with the principal amount as at the default date for the period of at least 3 years and, based on this comparison, the determination of the repayment cash flow for the loan for a year (including expenses on services for bad debt collection provided by third-party counterparties), which is compared to the principal amount upon default after being discounted using the effective interest rate. Based on the data obtained, the average level of cash recovery for defaulted loans is calculated.

EAD represents the expected credit risk exposure upon default including the Bank's balance of liabilities to provide cash to debtors as at the default date. For overdraft loans the Bank calculates the loan conversion ratio based on statistical information on the average ratio of the customers' debt to the overdraft limit for the period of at least 1 year. After that, the ratio is applied to the overdraft limit to calculate EAD.

Loans to corporate customers

The Bank measures expected credit losses for corporate clients' debt through a collective assessment based on credit debt quality categories.
For impaired loans, the Bank assesses the recovery, taking into account expected cash recoveries and recoveries from available collateral.

The collective assessment based on credit debt quality categories is based on the analysis of credit debt servicing quality, as well as on the credit history and other information about the debtor's business, which is available without undue cost or effort, and includes:

- analysis of the credit debt servicing discipline;
- distribution between stages depending on the degree of the credit risk change;
- analysis of property specified as collateral under the loan agreement (property that, according to the expectations of a responsible department employee, is hard to sell in case of the debtor's default is not accepted as collateral);
- forming a professional judgement as to whether a low credit rating for a financial asset can be recognized;
- forming professional judgement as to a rebuttable assumption of a 30 days delay;
- application of professional judgement redistributing financial assets between stages;
- discounting cash flows at the reporting date using a rate that is equal to the effective interest rate for a financial asset;
- calculation of allowance according to the ECLs model.

The annual PD is determined based on debtors risk class migration matrices using historical information for at least 1 year, including:

- grouping internal ratings into 5 risk classes: A, B, C, E, D;
- development of matrices for the amount of transfers between the risk classes within 1 year with a breakdown by quarters to calculate the annual PD;
- calculation of the annual PD by dividing the actual amount of transfers for a particular risk class by the total amount for this risk class.

For the purpose of calculating PD profiles for multiple years mathematical extrapolation methods are used.

The grouping of internal ratings into the five risk classes of A, B, C, E, D is performed by the Bank using a compatability table:

Risk class	Debtor's internal rating	Group by overdue (in days)
A	AAA, AA+, AA, AA-, A	0
B	A-, BBB+, BBB	1-30
C	BBB-, BB+, BB, BB-, B+, B	31-60
E	B-, CCC, CC, C	61-90
D	D	90+(default)

Where the Bank cannot determine the internal rating of a debtor (due to a lack of financial information about the debtor),in order to calculate expected credit losses the Bank uses PD, calculated using overdue amounts migration matrices. In the absence of a representative historical sample for the construction of the overdue amounts migration matrices the table of internal rating groups' comparability and overdue groups with a breakdown by risk classes is used.

The internal rating of a debtor is determined in accordance with internal methods of the Bank and falls into 20 categories. The rating is determined by comparing the estimated value indicating the possibility of a debt being classified into the "Bad" category, which is calculated by using a model with fixed possibility intervals determined using the following scale for the respective rating grades assigned based on available information.

Discrete value indicating the possibility of a debt being classified into the "Bad" category	Possibility of a debt being classified into the "Bad" category		Internal rating grade	
	Low end	Upper end	Numerical value	Letter identifier
0.09%	0.00%	0.15%	20	AAA
0.21%	0.15%	0.34%	19	AA+
0.46%	0.34%	0.75%	18	AA
1.04%	0.75%	1.68%	17	AA-
2.32%	1.68%	2.58%	16	A+
2.83%	2.58%	3.14%	15	A
3.45%	3.14%	3.83%	14	A-
4.22%	3.83%	4.68%	13	BBB+
5.14%	4.68%	5.71%	12	BBB
6.28%	5.71%	6.97%	11	BBB-
7.66%	6.97%	8.50%	10	BB+
9.35%	8.50%	10.38%	9	BB
11.40%	10.38%	12.66%	8	BB-
13.92%	12.66%	15.45%	7	B+
16.98%	15.45%	18.85%	6	B
20.72%	18.85%	23.00%	5	B-
25.28%	23.00%	28.07%	4	CCC
30.85%	28.07%	34.25%	3	CC
37.65%	34.25%	100.00%	2	C
100.00%	100.00%	100.00%	1	D

The approach towards the calculation of the total amount of LGD for a single financial asset is represented by assessing the portion of the asset unrecovered through the expected cash compensation and compensation through the available collateral.

Due from financial institutions

For banks that have been assigned an international rating, the classification is based on such rating. Ratings that were assigned using Moody's, S&P and Fitch methodologies are taken into account. For banks that have not been assigned an international rating the rating of the country where a bank is a resident, degraded by one position, is used.

The Bank uses the information available to the Bank at the reporting date from external official sources about the level of unfulfilled obligations after the default on the principal debt for funds placed in financial institutions, in order to calculate the amount of loss given default.

While updating the expected credit loss calculation methodology for the due from financial institutions the PD calculation approach for the assets, assigned to the Stage 2, was changed.

As at 31 December 2019 the value of the PD for the due from financial institutions, assigned to the Stage 2, was determined on a common basis using the method of interpolation of the annual PD compliant with the rating of the financial institution.

As at 31 December 2020 the PD corresponding to the pre-default rating was applied to the financial institutions assigned to the Stage 2. If the contract does not specify the expected lifetime of the financial instrument the 18 months PD obtained by extrapolating the annual PD, is used.

Investment securities

In assessing the impairment of sovereign debtor claims, the S & P rating agency 's annual default probability value corresponding to the rating assigned to the sovereign debtor is used. If the debtor does not have a rating assigned by the international agency S & P, the most current rating of other international agencies, reduced to the rating of the international agency S & P according to the table of compliance, is used.

In order to calculate the amount of loss in case of default on debt securities of financial institutions and sovereign, the Bank uses turnover factors for the year on the respective securities issues.

Other financial assets

The Bank assesses the probability of non-recovery by other financial instruments and calculates the expected credit losses by means of estimated reserve matrices representing the ratio of the relevant loss level to outstanding receivables balances in terms of the duration of the debt. The Bank shall apply the matrices of estimated reserves in the valuation of receivables, as well as accrued commission revenues and penalties.

The statute of limitations of the analysed data for the calculation of the matrices of estimated reserves for other financial assets is accepted not less than 2 years.

Based on the fact that receivables and accrued fee and commission income and penalties are usually of a short-term nature and the repayment of debts under these financial assets is carried out throughout the short-term period - 1 year, the Bank refers to the default event as of the reporting date as the overdue group "360+"

Incorporation of forward-looking information

If necessary, the Bank uses expert judgment to assess forward-looking information from external sources. External sources of information include economic data and forecasts published by state authorities, international organizations, as well as other information sources with a high degree of credibility.

The Bank has determined and documented a list of key factors affecting the credit risk and credit losses assessment for each portfolio of financial assets and, through the analysis of historical data, has analyzed the relationship between macroeconomic variables, credit risk and credit losses.
The key factors include:

- for loans to corporate customers and amounts due from financial institutions: GDP growth projections;
- for loans to individuals: average annual salary amount projections.

To prepare a scenario for macroeconomic indicators, macroeconomic projections data from several sources is used, assigning a specific weight to each of those sources and “optimistic” (30%), “basic” (50%), “negative” (20%) statuses to record expert expectations regarding macroeconomic projections.

Taking into account that the credit risk of the Bank is concentrated in the Republic of Belarus, the economic scenarios of the GDP growth and the annual average salary used as at 31 December 2020 included the following values for the Republic of Belarus:

	Value, %	**Scenario, %**
GDP growth rate for 2021	- 2.7	negative, 20
	- 0.1	Basic, 50
	1.8	optimistic, 30

	Value, BYN	**Scenario, %**
Annual average salary for 2021	1,150.5	negative, 20
	1,283.3	Basic, 50
	1,297	optimistic, 30

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the period of past 1-4 years. The effect of predicted macroeconomic factors is taken into account when calculating expected credit losses by adjusting the default probability value by the corresponding macroeconomic factor.

Credit risk is constantly monitored to ensure compliance with established limits in accordance with the risk and capital management policy approved by the Bank and to control the creditworthiness of clients.

The macroeconomic adjustment, applied to PD in essessment of expected credit losses on loans to customers, didn't effect significantly the estimated allowance for expected credit losses as at 31 December 2020 and 31 December 2019. The amount of macroeconomic adjustment as at 31 December 2020 was 1.157 for loans to individuals and 1.001 for loans to corporate customers.

Collateral

A major portion of loans is either collateralized or secured with guarantees from institutions or individuals. The amount and type of required collateral depends on the assessment of the credit risk of a counterparty. Guidelines are regularly updated regarding the acceptability of types of collateral and valuation parameters. The main types of the received collateral obtained are presented in Note 19.

The fair value of collateral is measured at the date the loan is issued. Monitoring of the market value of collateral is performed on a regular basis, its results are reported to the management of the Bank. If necessary, borrowers are requested to provide additional collateral in accordance with the underlying agreement.

Set-off of financial assets and liabilities

Information disclosed in the table below includes information on financial liabilities that are subject to legally effective master netting agreements or similar agreements applicable to similar financial instruments regardless of whether they are offset in the statement of financial position or not.

Similar financial instruments include repurchase transactions, reverse repurchase transactions, agreements on securities borrowing and lending. Information on such financial instruments as loans and deposits is not disclosed in the table below, except for the cases when they are set off in the statement of financial position.:

	31 December 2020			31 December 2019		
Financial liabilities	**Full amounts of recognized financial assets/financial liabilities**	**Amounts that were not off set in the statement of financial position**	**Net amount**	**Full amounts of recognized financial assets / financial liabilities**	**Amounts that were not off set in the statement of financial position**	**Net amount**
Repurchase agreements, agreements on securities lending or similar agreements	-	-	-	(13,202)	13,202	-
Total financial liabilities	**-**	**-**	**-**	**(13,202)**	**13,202**	**-**

Geographical concentration

The Bank regularly controls the risk associated with changes in legislation, economic development and financial sphere of countries, where the Bank's counterparties reside, and assesses its impact on the activities of the Bank (Note 34). This approach is aimed at minimization of possible losses from investment climate changes in the respective countries. The Assets and Liabilities Management Committee manages country risks of the Bank.

The geographical concentration of financial assets and liabilities is set out below:

	Belarus	CIS	OECD countries	Other countries	31 December 2020 Total
FINANCIAL ASSETS					
Cash and cash equivalents	461,120	24,500	69,303	406	555,329
Securities at fair value through profit or loss	89,314	-	-	-	89,314
Derivative financial instruments, assets	481	-	-	-	481
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	23,129	-	10,132	129	33,390
Loans to customers	2,893,123	1	-	169	2,893,293
Investment securities	365,118	-	9,706	-	374,824
Other financial assets	14,811	51	1,913	-	16,775
TOTAL FINANCIAL ASSETS	**3,847,096**	**24,552**	**91,054**	**704**	**3,963,406**
FINANCIAL LIABILITIES					
Derivative financial instruments, liabilities	641	-	-	-	641
Loans from the National Bank of the Republic of Belarus	398,000	-	-	-	398,000
Due to banks and other financial institutions	98,317	631,458	105,417	-	835,192
Due to customers	1,865,021	32,316	25,051	5,568	1,927,956
Debt securities issued	74,859	-	-	-	74,859
Other financial liabilities	12,588	426	752	33	13,799
Subordinated debt	-	177,497	-	-	177,497
TOTAL FINANCIAL LIABILITIES	**2,449,426**	**841,697**	**131,220**	**5,601**	**3,427,944**
OPEN POSITION	**1,397,670**	**(817,145)**	**(40,166)**	**(4,897)**	

	Belarus	CIS	OECD countries	Other countries	31 December 2019 Total
FINANCIAL ASSETS					
Cash and cash equivalents	604,481	17,632	53,771	35	675,919
Securities at fair value through profit or loss	45,261	158,100	10,610	-	213,971
Derivative financial instruments, assets	658	493	-	-	1,151
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	34,338	-	1,854	105	36,297
Loans to customers	3,327,512	35	1	191	3,327,739
Investment securities	516,778	-	6,624	-	523,402
Other financial assets	12,808	40	11,172	-	24,020
TOTAL FINANCIAL ASSETS	**4,541,836**	**176,300**	**84,032**	**331**	**4,802,499**
FINANCIAL LIABILITIES					
Derivative financial instruments, liabilities	3	86	-	-	89
Due to banks and other financial institutions	108,215	623,883	152,211	-	884,309
Due to customers	2,887,619	48,299	73,042	1,647	3,010,607
Debt securities issued	148,222	-	-	-	148,222
Other financial liabilities	10,045	326	375	1	10,747
Subordinated debt	-	173,283	-	-	173,283
TOTAL FINANCIAL LIABILITIES	**3,154,104**	**845,877**	**225,628**	**1,648**	**4,227,257**
OPEN POSITION	**1,387,732**	**(669,577)**	**(141,596)**	**(1,317)**	

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A system of managing liquidity risks arranged in the Bank helps evaluate probability, causes and effects of changes in time structure of assets and liabilities, as well as take measures aimed at loss minimization and liquidity maintenance under indicated circumstances. The Bank has developed and approved the authorization system and appointed officers responsible for certain stages of risk management.

The management manages assets and liabilities by taking into account liquidity, risk of simultaneous withdrawal and daily monitoring of future cash flows. The process comprises evaluation of expected cash flows, availability of high-quality collateral, which may be used for obtaining additional funds if required. Short-term liquidity is managed by the Treasury of the Bank, which carries out operations on money market for the purpose of current liquidity maintenance and future cash flows optimization.

The Bank holds a diversified assets portfolio that can be realized for cash in case of unforeseen termination of cash inflow. The Bank also concluded credit lines agreements which may be used to meet requirements in cash funds. Besides, in accordance with the legislation, the Bank has an obligatory reserve deposit with the National Bank. The amount of the deposit depends on the level of deposits attracted from clients.

According to the requirements of the National Bank of the Republic of Belarus the Bank assesses liquidity risk using a ratio method (the assessment of the Bank's compliance with the established requirements of secured operation). In the period of July and September-October 2020, there were cases of violations of liquidity ratios due to outflows of due to customers on realization of reputational risk (detention of the top management of the Bank) and high inflationary expectations in the country. On the violating of liquidity ratios, the National Bank of the Republic of Belarus issued resolutions for not applying supervisory response measures to the Bank. As a result of attracting a stabilization loan from the National Bank of the Republic of Belarus and undertaking measures to restore liquidity, the indicators of liquidity were stabilized. As of the reporting date, liquidity ratios are fulfilled.

The following tables present the analysis of liquidity and interest-rate risks which discloses term to maturity of financial liabilities, calculated for non-discounted cash flows on financial liabilities (principal and interest) at the earliest date when the Bank is liable to redeem the liability. The amounts disclosed in these tables do not reconcile to the amounts recorded in the statement of financial position as the presentation below includes maturity analysis of financial liabilities, that comprise total undiscounted remaining contractual payments (including interest payments).

	Up to 1 month	**1-3 months**	**3 months – 1 year**	**1 year – 5 years**	**More than 5 years**	**31 December 2020 Total**
FINANCIAL LIABILITIES						
Interest bearing financial liabilities						
Loans from the National Bank of the Republic of Belarus	(250,169)	(151,122)	-	-	-	(401,291)
Due to banks and other financial institutions	(29,126)	(221,020)	(190,538)	(387,521)	(23,052)	(851,257)
Due to customers	(640,626)	(267,071)	(507,626)	(273,745)	(18,961)	(1,708,029)
Debt securities issued	(603)	(25,177)	(27,220)	(25,340)	-	(78,340)
Subordinated debt	(4,896)	-	(5,314)	(180,057)	-	(190,267)
Total interest bearing financial liabilities	**(925,420)**	**(664,390)**	**(730,698)**	**(866,663)**	**(42,013)**	**(3,229,184)**
Non-interest bearing financial liabilities						
Due to banks and other financial institutions	(11,523)	-	(6,777)	-	-	(18,300)
Due to customers	(269,687)	-	-	(55)	-	(269,742)
Debt securities issued	(579)	-	-	-	-	(579)
Other financial liabilities	(10,750)	(224)	(944)	(1,251)	(630)	(13,799)
Financial guarantees and similar labilities	(85,043)	-	-	-	-	(85,043)
Letters of credit not covered by cash	-	-	-	(12,968)	-	(12,968)
Total non-interest bearing financial liabilities	**(377,582)**	**(224)**	**(7,721)**	**(14,274)**	**(630)**	**(400,431)**
TOTAL FINANCIAL LIABILITIES	**(1,303,002)**	**(664,614)**	**(738,419)**	**(880,937)**	**(42,643)**	**(3,629,615)**
Derivative financial liabilities						
Inflow	124,284	26,147	-	-	-	150,431
Outflow	(124,575)	(26,147)	-	-	-	(150,722)
Total net cash flows from derivatives	**(291)**	**-**	**-**	**-**	**-**	**(291)**

	Up to 1 month	1-3 months	3 months – 1 year	1 year – 5 years	More than 5 years	31 December 2019 Total
FINANCIAL LIABILITIES						
Interest bearing financial liabilities						
Due to banks and other financial institutions	(72,153)	(127,243)	(411,693)	(297,105)	(10,719)	(918,913)
Due to customers	(969,264)	(180,537)	(777,410)	(719,533)	(61,556)	(2,708,300)
Debt securities issued	(244)	(107)	(537)	(174,791)	-	(175,679)
Subordinated loans	(4,780)	-	(5,207)	(187,777)	-	(197,764)
Total interest bearing financial liabilities	**(1,046,441)**	**(307,887)**	**(1,194,847)**	**(1,379,206)**	**(72,275)**	**(4,000,656)**
Non-interest bearing financial liabilities						
Due to banks and other financial institutions	(13,950)	-	(1,700)	-	-	(15,650)
Due to customers	(407,337)	(7,224)	-	(8)	-	(414,569)
Debt securities issued	(1,487)	-	-	-	-	(1,487)
Other financial liabilities	(8,390)	(148)	(786)	(1,063)	(360)	(10,747)
Financial guarantees and similar labilities	(59,571)	-	-	-	-	(59,571)
Letters of credit not covered by cash	(1,874)	(7)	(699)	(10,105)	-	(12,685)
Total non-interest bearing financial liabilities	**(492,609)**	**(7,379)**	**(3,185)**	**(11,176)**	**(360)**	**(514,709)**
TOTAL FINANCIAL LIABILITIES	**(1,539,050)**	**(315,266)**	**(1,198,032)**	**(1,390,382)**	**(72,635)**	**(4,515,365)**
Derivative financial liabilities						
Inflow	83,450	690	-	-	-	84,140
Outflow	(83,502)	(702)	-	-	-	(84,204)
Total net cash flows from derivatives	**(52)**	**(12)**	**-**	**-**	**-**	**(64)**

The following table presents an analysis of liquidity risk based on carrying values of financial assets and liabilities based on their expected maturity. The Management estimates the expected maturity of financial assets and liabilities based on historical data analysis, existence of an active market and other factors affecting the period of assets and liabilities realization/settlement.

	Up to 1 month	1-3 months	3 months - 1 year	1 year to 5 years	More than 5 years	Past due	Without maturity	31 December 2020 Total
FINANCIAL ASSETS								
Cash and cash equivalents	555,329	-	-	-	-	-	-	555,329
Securities at fair value through profit or loss	89,314	-	-	-	-	-	-	89,314
Derivative financial instruments, assets	432	-	49	-	-	-	-	481
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	23,027	-	-	-	-	-	10,363	33,390
Loans to customers	102,816	367,116	472,991	1,259,074	660,568	30,647	81	2,893,293
Investment securities	224	2,990	19,963	83,707	257,472	-	10,468	374,824
Other financial assets	15,546	28	37	66	-	18	1,080	16,775
TOTAL FINANCIAL ASSETS	**786,688**	**370,134**	**493,040**	**1,342,847**	**918,040**	**30,665**	**21,992**	**3,963,406**
FINANCIAL LIABILITIES								
Derivative financial instruments, liabilities	291	350	-	-	-	-	-	641
Loans from the National Bank of the Republic of Belarus	248,000	150,000	-	-	-	-	-	398,000
Due to banks and other financial institutions	39,796	218,980	186,648	370,130	19,638	-	-	835,192
Due to customers	598,563	261,201	492,375	251,224	17,256	-	307,337	1,927,956
Debt securities issued	1,183	25,470	26,646	21,560	-	-	-	74,859
Other financial liabilities	9,917	224	944	1,251	630	-	833	13,799
Subordinated debt	4,629	-	-	172,868	-	-	-	177,497
TOTAL FINANCIAL LIABILITIES	**902,379**	**656,225**	**706,613**	**817,033**	**37,524**	**-**	**308,170**	**3,427,944**

	Up to 1 month	1-3 months	3 months - 1 year	1 year to 5 years	More than 5 years	Past due	Without maturity	31 December 2020 Total
The gap between assets and liabilities	(115,691)	(286,091)	(213,573)	525,814	880,516			
The gap between assets and liabilities, on an accrual basis	(115,691)	(401,782)	(615,355)	(89,541)	790,975			
The gap between assets and liabilities, interest to financial assets on an accrual basis	-2.9%	-10.1%	-15.5%	-2.3%	20.0%			

	Up to 1 month	1-3 months	3 months - 1 year	1 year to 5 years	More than 5 years	Past due	Without maturity	31 December 2019 Total
FINANCIAL ASSETS								
Cash and cash equivalents	674,477	1,442	-	-	-	-	-	675,919
Securities at fair value through profit or loss	213,971	-	-	-	-	-	-	213,971
Derivative financial instruments, assets	849	302	-	-	-	-	-	1,151
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	34,225	-	-	-	-	-	2,072	36,297
Loans to customers	169,568	427,812	520,110	1,582,034	585,229	42,920	66	3,327,739
Investment securities	1,325	23,128	159,039	81,138	251,432	-	720	516,782
Other financial assets	22,777	20	15	103	-	105	1,000	24,020
TOTAL FINANCIAL ASSETS	**1,117,192**	**452,704**	**679,164**	**1,663,275**	**836,661**	**43,025**	**3,858**	**4,795,879**
FINANCIAL LIABILITIES								
Derivative financial instruments, liabilities	86	3	-	-	-	-	-	89
Due to banks and other financial institutions	85,764	121,684	396,014	271,687	9,160	-	-	884,309
Due to customers	604,525	177,901	746,177	660,474	56,188	-	765,342	3,010,607
Debt securities issued	1,731	72	17	146,402	-	-	-	148,222
Other financial liabilities	7,559	148	786	1,063	360	-	831	10,747
Subordinated debt	4,519	-	-	168,764	-	-	-	173,283
TOTAL FINANCIAL LIABILITIES	**704,184**	**299,808**	**1,142,994**	**1,248,390**	**65,708**	**-**	**766,173**	**4,227,257**
The gap between assets and liabilities	413,008	152,896	(463,830)	414,885	770,953			
The gap between assets and liabilities, on an accrual basis	413,008	565,904	102,074	516,959	1,287,912			
The gap between assets and liabilities, interest to financial assets on an accrual basis percentage of total amount of finance assets	8.6%	11.8%	2.1%	10.8%	26.9%			

In January 2021 the debt to the National Bank of the Republic of Belarus in the amount of BYN 248,000 thousand was refinanced, also in February 2021 Gazprombank (Joint Stock) provided the Bank with a new credit line in the amount of EUR 60 million, that caused the reduction of negative gaps between assets and liabilities, formed as at 31 December 2020.

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

Securities at fair value through profit or loss – the expected period of sale of the securities at fair value through profit or loss reported as at 31 December 2020 was determined by the management as less than 1 month since there is an active market where these securities may be sold within a short period of time.

Due to customers – the Bank's liquidity risk management includes estimation of the minimum balance of current (settlement) accounts of customers, i.e. the amounts raised considering stable relationships with customers, which is determined using statistical methods based on historical data of fluctuations in customer accounts balances during 365 days before the reporting date, thus, such minimum balances are included in the "Without maturity" category.

The following table presents the contractual periods of repayment of the mentioned financial statement lines as at 31 December 2020 and 31 December 2019:

	Up to 1 month	1-3 months	3 months - 1 year	1 year to 5 years	More than 5 years	Past due	Without maturity	31 December 2020 Total
Securities at fair value through profit or loss	-	337	680	88,297	-	-	-	89,314
Due to customers	905,900	261,201	492,375	251,224	17,256	-	-	1.927,956
The gap between assets and liabilities within contractual periods of repayment	(512,342)	(285,754)	(212,893)	614,111	880,516			
The gap between assets and liabilities on the accrual basis	(512,342)	(798,096)	(1,010,989)	(396,878)	(483,638)			

	Up to 1 month	1-3 months	3 months - 1 year	1 year to 5 years	More than 5 years	Past due	Without maturity	31 December 2019 Total
Securities at fair value through profit or loss	11,265	1,709	20,748	159,547	20,702	-	-	213,971
Due to customers	1,369,867	177,901	746,177	660,474	56,188	-	-	3,010,607
The gap between assets and liabilities within contractual periods of repayment	(555,040)	154,605	(443,082)	574,432	791,655			
The gap between assets and liabilities on the accrual basis	(555,040)	(400,435)	(843,517)	(269,085)	522,570			

The Bank expects that not all contingent or contractual liabilities will require settlement before maturity. The Management of the Bank believes that it will be able to sell its liquid assets to settle liabilities on due to customers in case of demand for repayment before maturity. 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 by extending credit line limit to maintain liquidity. The Bank also has access to constant liquidity management instruments of the regulator.

For the purpose of early identification and control over liquidity risk the Bank implemented liquidity risk escalation procedure and developed a plan for crisis financing.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its claims and obligations which are subject to general and specific market fluctuations.

The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits. Market risk includes interest-rate risk, currency risk.

Interest rate risk

Interest-rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate and net interest income will change because of changes in interest rates. This risk arises due to cumulative discrepancy of terms and rate types of interest bearing assets and liabilities, as well as due to high sensitivity to changes in interest rates on debt instruments acquired for the purpose of receiving revenues from their resale.

Interest-rate risk is managed by a collective body – The Assets and Liabilities Management Committee. The Committee sets absolute limits for Bank's operating departments, within which they can operate, and ensures control over the risk of interest rate margin change by monitoring the gap between interest bearing assets and liabilities. The Bank monitors its current financial performance on continuing basis, estimates interest rate sensitivity and its effect on profit and equity.

The effect of interest rate changes on Bank's comprehensive income is evaluated based on the data about the amount and term of changes in the rates of financial assets and liabilities with variable interest rates, as well as on amounts of assets carried at fair value with fixed interest rate as at reporting date. Additionally the calculation includes the effect of reinvestment of fixed-rate instruments at new market rates as they mature. The estimation follows from the assumption that the Bank's portfolio structure does not change and is based on the reasonably possible changes in risk variables. The level of these changes is determined by the management and is reported to the key management personnel. The following table presents an interest rate sensitivity analysis on the Bank's comprehensive income at the year horizon. The analysis was based on the parallel shift of the yield curve for all assets and liabilities, the shift was estimated to be equal to 1 percentage point for all financial instruments regardless of their nominal currency. In addition, it was assumed that the change of all types of the interest rates took place at the beginning of the financial year and held constant throughout the reporting period. All other variables were held constant.

	31 December 2020		**31 December 2019**	
	Interest rate/discount rate 1%	**Interest rate/discount rate -1%**	**Interest rate/discount rate 1%**	**Interest rate/discount rate -1%**
Impact on profit before tax				
Assets				
Cash and cash equivalents	995	(995)	1,843	(1,843)
Securities at fair value through profit or loss	(3,117)	3,117	(5,377)	5,377
including:				
effect on interest income	*10*	*(10)*	*139*	*(139)*
effect on change in fair value	*(3,127)*	*3,127*	*(5,516)*	*5,516*
Derivative financial instruments, assets, impact on fair value of discount rate change	(1)	1	14	(15)
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	-	-
Loans to customers	22,477	(22,477)	21,510	(21,510)
Investment securities	121	(121)	679	(679)
Liabilities				
Derivative financial instruments, liabilities, impact on fair value of discount rate change	52	(52)	1	(2)
Loans from the National Bank of the Republic of Belarus	(3,816)	3,816	-	-
Due to banks and other financial institutions	(5,104)	5,104	(5,128)	5,128
Due to customers	(10,220)	10,220	(14,007)	14,007
Debt securities issued	(408)	408	(113)	113
Impact on profit before tax	**979**	**(979)**	**(578)**	**576**
Impact on other comprehensive income:				
Investment securities, impact on fair value of discount rate change	(14,095)	13,803	(15,296)	16,248
Impact on comprehensive income after taxation	**(13,042)**	**12,750**	**(16,361)**	**17,312**

Currency risk

Currency risk is defined as the risk of the fluctuation of the value of a financial instrument due to changes in foreign exchange rates and precious metals in the form of bank bullions, revaluated measured bullions, revaluated coins. The Bank's financial position and cash flows are exposed to fluctuations of foreign currency exchange rates or precious metal in the form of bank bullions, revaluated measured bullions, revaluated coins.

The Asset and Liability Management Committee manages currency risk by limiting the open currency position on the basis of the estimated devaluation of the national currency and other macroeconomic indicators. The Treasury Department performs daily control over the open currency position of the Bank to ensure its compliance with the limits.

The Bank performs quantitative assessment of currency risk using Value-at-Risk model. The assessment results are regularly reported to the management and are used for management decisions.

The Bank's exposure to currency risk is as follows:

	BYN	**USD**	**EUR**	**RUB**	**Other currencies**	**31 December 2020 Total**
		1USD= BYN 2,5789	1EUR= BYN 3,1680	1RUB= BYN 0,034871		
FINANCIAL ASSETS						
Cash and cash equivalents	272,670	204,603	49,946	24,971	3,139	555,329
Securities at fair value through profit or loss	-	89,314	-	-	-	89,314
Derivative financial instruments, assets	432	49	-	-	-	481
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	23,129	10,261	-	-	-	33,390
Loans to customers	1,332,810	328,119	905,191	327,173	-	2,893,293
Investment securities	19,275	179,539	176,009	1	-	374,824
Other financial assets	14,323	1,434	732	284	2	16,775
TOTAL FINANCIAL ASSETS	**1,662,639**	**813,319**	**1,131,878**	**352,429**	**3,141**	**3,963,406**
FINANCIAL LIABILITIES						
Derivative financial instruments, liabilities	641	-	-	-	-	641
Loans from the National Bank of the Republic of Belarus	398,000	-	-	-	-	398,000
Due to banks and other financial institutions	94,077	63,613	656,787	20,712	3	835,192
Due to customers	513,040	980,302	370,556	63,039	1,019	1,927,956
Debt securities issued	27,445	22,581	24,833	-	-	74,859
Other financial liabilities	8,045	1,632	3,554	566	2	13,799
Subordinated debt	-	-	-	177,497	-	177,497
TOTAL FINANCIAL LIABILITIES	**1,041,248**	**1,068,128**	**1,055,730**	**261,814**	**1,024**	**3,427,944**
CURRENCY POSITION	**621,391**	**(254,809)**	**76,148**	**90,615**	**2,117**	

Derivative financial instruments and spot contracts with foreign currency

Fair value of derivative financial instruments with foreign currency is included in the presented currency analysis. The following table presents further analysis of currency risk on derivative financial instruments and spot contracts.

	BYN	USD 1USD= BYN 2,5789	EUR 1EUR= BYN 3,1680	RUB 1RUB= BYN 0,034871	Other currencies	31 December 2020 Total
Claims on derivative financial instruments and spot contracts	-	224,862	6,336	-	-	231,198
Liabilities on derivative financial instruments and spot contracts	-	6,336	107,712	117,134	-	231,182
NET DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT CONTRACTS POSITION	**-**	**218,526**	**(101,376)**	**(117,134)**	**-**	**16**
TOTAL CURRENCY POSITION	**621,391**	**(36,283)**	**(25,228)**	**(26,519)**	**2,117**	**535,478**

	BYN	USD 1USD= BYN 2.1036	EUR 1EUR= BYN 2.3524	RUB 1RUB= BYN 0.034043	Other currencies	31 December 2019 Total
FINANCIAL ASSETS						
Cash and cash equivalents	479,619	62,202	88,288	44,302	1,508	675,919
Securities at fair value through profit or loss	-	192,614	-	21,357	-	213,971
Derivative financial instruments, assets	1,151	-	-	-	-	1,151
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	34,337	106	1,854	-	-	36,297
Loans to customers	1,211,399	482,935	1,327,046	306,359	-	3,327,739
Investment securities	85,260	270,899	160,623	-	-	516,782
Other financial assets	11,183	346	12,278	213	-	24,020
TOTAL FINANCIAL ASSETS	**1,822,949**	**1,009,102**	**1,590,089**	**372,231**	**1,508**	**4,795,879**
FINANCIAL LIABILITIES						
Derivative financial instruments, liabilities	89	-	-	-	-	89
Due to banks and other financial institutions	134,763	62,689	471,869	214,988	-	884,309
Due to customers	952,757	1,491,081	472,184	79,434	15,151	3,010,607
Debt securities issued	116,059	14,702	17,461	-	-	148,222
Other financial liabilities	7,751	1,136	1,446	414	-	10,747
Subordinated debt	-	-	-	173,283	-	173,283
TOTAL FINANCIAL LIABILITIES	**1,211,419**	**1,569,608**	**962,960**	**468,119**	**15,151**	**4,227,257**
CURRENCY POSITION	**611,530**	**(560,506)**	**627,129**	**(95,888)**	**(13,643)**	

Derivative financial instruments and spot contracts with foreign currency

Fair value of derivative financial instruments with foreign currency is included in the presented currency analysis. The following table presents further analysis of currency risk on derivative financial instruments and spot contracts.

	BYN	USD 1USD= BYN 2.1036	EUR 1EUR= BYN 2.3524	RUB 1RUB= BYN 0.034043	Other currencies	31 December 2019 Total
Claims on derivative financial instruments and spot contracts	40	565,750	-	94,268	14,610	674,668
Liabilities on derivative financial instruments and spot contracts	5,976	6,681	624,736	35,845	-	673,238
NET DERIVATIVE FINANCIAL INSTRUMENTS AND SPOT CONTRACTS POSITION	**(5,936)**	**559,069**	**(624,736)**	**58,423**	**14,610**	
TOTAL CURRENCY POSITION	**605,594**	**(1,437)**	**2,393**	**(37,465)**	**967**	

Currency risk sensitivity

The degree of influence of changes in the main foreign currencies exchange rates on the Bank's financial result is used by the Bank when preparing reports on currency risk for key management personnel considering changes in risk variables.

The following tables detail the Bank's sensitivity to a decrease and an increase of USD, EUR and RUB against the national currency as at 31 December 2020 and 31 December 2019. The mentioned currency exchange rates changes represent the management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency amounts as at the period end that were converted as at the period end using the rates adjusted for the expected amount as compared to the effective rates.

	As at 31 December 2020		As at 31 December 2019	
	BYN/USD	BYN/USD	BYN/USD	BYN/USD
	10.0%	-1.0%	6.5%	-1.0%
Effect on profit before tax	(3,629)	363	(107)	17
Effect on comprehensive income after taxation	(2,722)	272	(80)	13

	As at 31 December 2020		As at 31 December 2019	
	BYN/EUR	BYN/EUR	BYN/EUR	BYN/EUR
	10.0%	-1.0%	8.5%	-1,0%
Effect on profit before tax	(2,524)	253	196	(23)
Effect on comprehensive income after taxation	(1,893)	190	147	(17)

	As at 31 December 2020		As at 31 December 2019	
	BYN/RUB	BYN/RUB	BYN/RUB	BYN/RUB
	10,0%	-1,0%	2.6%	-1.0%
Effect on profit before tax	(2,637)	264	(976)	376
Effect on comprehensive income after taxation	(1,978)	198	(732)	282

Limitations of sensitivity analysis

The above interest-rate risk and currency risk sensitivity analysis demonstrates the effect of a change in a key assumption mentioned above, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and the obtained results should not be interpolated or extrapolated.

The sensitivity analysis does not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary depending on changes in the market. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In case of sharp negative price fluctuations in the securities market, management actions could include selling investments, changing investment portfolio composition and taking other protective actions Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets held at market value on the statement of financial position may be affected significantly. In these circumstances, different measurement bases for liabilities and assets may lead to significant volatility in equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty. The assumption that all interest rates change similarly also constitutes a limitation.

Operational risk

The Bank is subject to operational risk at all stages of its activity. Operational risk is the risk of loss and (or) additional expenses arising from non-compliance of procedures specified by the Bank's internal regulations for banking operations and other transactions with legislation or breach thereof by employees, incompetence or human error, software and systems failure or external events.

To collect information on operational risk events the Bank maintains a corresponding database. It reflects data on operational loss nature and amount with a breakdown by the Bank's activities, certain banking operations (processes), circumstances for occurrence and detection thereof.

The Bank performs assessment of operational risk to analyze operational risk condition and make correct management decisions.

Proactive methods of operational risk management in the Bank include maintaining operational risks register, using key operational risk indicators system, also using the developed scenarios and persuing effective procedures of the operational risk escalation as well as self-assessment and risk-audit procedures.

The Bank performs regular stress tests of operational risk to assess the resistance to realization of rare but plausible catastrophic events. The risk assesstment and stress test results are submitted to the Management Board for managerial decision-making.

40. EVENTS AFTER THE REPORTING DATE

There aren't any adjusting events after the reporting period.

The Bank notes the following non-adjusting events after the reporting period:

- According to the National Bank of the Republic of Belarus, the basic year-on-year inflation in March 2021 amounted to 8.5%;
- The National Bank of the Republic of Belarus increased the refinancing rate from 7.75% to 8.5%, since 21 April 2021.

The management of the Bank estimates that these non-adjusting events are not expected to have a significant impact on the Bank's activity.