Translation from original in Russian

BELGAZPROMBANK

Financial statements

for the year ended 31 December 2021
together with the independent auditor's report

Contents

Совершенствуя бизнес,
улучшаем мир

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Translation from original in Russian

Independent auditor's report on the financial statements of Belorussian-Russian Belgazprombank Joint Stock for the period from 1 January through 31 December 2021

To Irina Olegovna Potapova
Acting Chair of the Management Board of Belgazprombank

To the Shareholders, Board of Directors,
Audit Committee and Management Board of Belgazprombank

Opinion

We have audited the financial statements of Belorussian-Russian Belgazprombank Joint Stock (hereinafter, "Belgazprombank" or the "Bank") (address: 60/2 Pritytsky St., 220121, Minsk, Republic of Belarus, date of state registration: 19 August 1991; registered in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 100429079), which comprise the statement of financial position as at 31 December 2021, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2021, 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 the Law of the Republic of Belarus *On Auditing Activity*, national auditing rules effective in the Republic of Belarus and International Standards on Auditing (ISA). Our responsibilities under those rules and standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) 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.

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Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to that matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans to customers in accordance with IFRS 9	
The estimation of the allowance for expected credit losses on loans to customers is a key area of judgment for the Bank's management. Identification of factors of a significant increase in credit risk, including identification of a change in the risk of default occurring over the remaining life of the financial instrument, identification of default (impairment stages) and estimation of its probability, the level of recovery and forward-looking information require the significant use of professional judgment and assumptions. The use of various models and assumptions in the calculation of expected credit losses can significantly affect the level of the allowance for expected credit losses on loans to customers. Due to substantial amounts of loans to customers and an extensive use of professional judgment, the estimation of the allowance for expected credit losses is a key audit matter. The information on the allowance for expected credit losses on loans to customers and the Bank's management approach to assessing and managing credit risk are described in Notes 2, 18 and 37 to the financial statements.	With regard to calculating the allowance for expected credit losses on loans to customers, our audit procedures included the analysis of the methodology, testing of controls over the accounting for overdue debt and the procedures to identify factors of a significant increase in credit risk and default on loans to customers. We considered the assumptions and inputs used by the Bank and models to calculate the probability of default, the level of recovery and forward-looking information. We analyzed the classification of loans by impairment stage and the mathematical accuracy of the calculation of the allowance for expected credit losses. We analyzed the financial position of borrowers, their credit ratings, overdue and renegotiated exposures and sufficiency of collateral with respect to individually significant loans to legal entities and loans with higher credit risk exposure. We reviewed the consistency of application of judgments by the Bank's management when calculating the allowance for expected credit losses. We reviewed the information related to the allowance for expected credit losses on loans, disclosed in the notes to the financial statements.

Other matters

The audit of the Bank's financial statements for the year ended 31 December 2020 was performed by another auditor who expressed an unmodified opinion in respect of those financial statements on 30 April 2021.

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Responsibilities of management and the Audit Committee of Belgazprombank 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.

The Audit Committee of Belgazprombank is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

As part of our audit performed in accordance with the Law of the Republic of Belarus *On Auditing Activity*, national auditing rules effective in the Republic of Belarus and ISA, 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 made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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- 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 the Board of Directors and the Audit Committee of Belgazprombank regarding, among other matters, the planned scope and timing of the audit, as well as on significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors and the Audit Committee of Belgazprombank with a statement that we have complied with relevant ethical requirements regarding independence and communicated to 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 the Board of Directors and the Audit Committee of Belgazprombank, we determine those matters that were of most significance in the audit of the financial statements for the current period and are therefore key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about these matters 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 Audit Partner in charge of the engagement resulting in this independent auditor's report is P.A. Laschenko.

P.A. Laschenko
Partner, FCCA
General Director
Ernst & Young LLC

A.I. Korshun
Auditor, FCCA
Deputy Head of Audit Department

25 February 2022

Details of the audit firm

Name: Ernst & Young Limited Liability Company
Registered in the Unified State Register of Legal Entities and Individual Entrepreneurs on 7 April 2005, Registration No. 190616051.
Member of the Audit Chamber since 26 December 2019.
Registration No. 10051 in the register of auditors, entered on 1 January 2020.
Address: Republic of Belarus, 220004 Minsk, Klary Tsetkin St. 51A, 15th floor.

Income statement

For the year ended 31 December 2021

(in thousands of Belarusian rubles)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Interest income calculated using the effective interest rate method	5, 33	282,414	337,469
Other interest income	5, 33	7,317	11,605
Interest expenses	5, 33	(130,756)	(167,698)
Net interest income		**158,975**	**181,376**
Charge of allowances for expected credit losses on financial assets	6, 33	(16,938)	(67,426)
Net interest income after charge of allowances for expected credit losses on financial assets		**142,037**	**113,950**
Net loss from initial recognition of interest bearing financial instruments	18	(6,137)	-
Net loss from investment securities at fair value through other comprehensive income reclassified to income statement		(582)	(2,662)
Net gain from foreign exchange operations	7	32,415	53,246
Net loss from trading operations	8, 33	(7,896)	(37,140)
Fee and commission income	9, 33	101,203	89,084
Fee and commission expenses	9, 33	(23,349)	(18,798)
Net gain/(loss) from operations with precious metals	10	307	(1,892)
Recovery/(charge) of provisions for expected credit losses on contingent liabilities	6	243	(311)
Net profit arising from derecognition of financial assets measured at amortized cost	11	-	1,576
Other income	12, 33	12,632	10,915
Net non-interest income		**108,836**	**94,018**
Operating income		**250,873**	**207,968**
Operating expenses	13, 33	(160,534)	(165,881)
Profit before tax		**90,339**	**42,087**
Income tax expense	14	(12,905)	(2,352)
Net profit		**77,434**	**39,735**
Basic and diluted earnings per share (BYN)	30	0.0022	0.0011

On behalf of the Management Board of the Bank:

Acting Chair of the Management Board
I.O. Potapova

Acting Chief Accountant
I.N. Vashkevich

25 February 2022
Minsk

The notes on pages 7-90 form an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2021

(in thousands of Belarusian rubles)

	Year ended 31 December 2021	*Year ended 31 December 2020*
Net profit	**77,434**	**39,735**
Other comprehensive (loss)/income		
Items that are or may be reclassified subsequently to profit and loss		
Change in fair value of investment securities transferred to profit and loss	582	2,662
Change in allowances for expected credit losses on investment securities	(2,716)	3,974
Change in fair value of investment securities at fair value through other comprehensive income	(28,941)	(10,930)
Income tax	13	(771)
Total other comprehensive loss	**(31,062)**	**(5,065)**
Total comprehensive income	**46,372**	**34,670**

On behalf of the Management Board of the Bank:

Acting Chair of the Management Board
I.O. Potapova

Acting Chief Accountant
I.N. Vashkevich

25 February 2022
Minsk

Statement of financial position

As at 31 December 2021

(in thousands of Belarusian rubles)

	Notes	*31 December 2021*	*31 December 2020*
Assets			
Cash and cash equivalents	15, 33	705,508	555,329
Securities at fair value through profit and loss	16, 33	75,850	89,314
Derivative financial instruments, assets	33	22	481
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	17	25,841	33,390
Loans to customers	18, 33	2,425,097	2,893,293
Investment securities	19	412,050	374,824
Non-current assets held for sale	20	16,574	16,631
Property, equipment, intangible and right-of-use assets	21	164,077	166,541
Investment property		–	578
Current income tax assets		–	5,193
Deferred income tax assets	14	5,787	4,087
Other assets	22, 33	17,282	23,434
Total assets		**3,848,088**	**4,163,095**
Liabilities and equity			
Liabilities			
Derivative financial instruments, liabilities	33	206	641
Loans from the National Bank of the Republic of Belarus	23	74,891	398,000
Due to banks and other financial institutions	24, 33	786,127	835,192
Due to customers	25, 33	1,977,193	1,927,956
Debt securities issued	26	32,162	74,859
Current income tax liabilities		2,940	–
Other liabilities	27, 33	26,470	21,925
Subordinated debt	28, 33	174,702	177,497
Total liabilities		**3,074,691**	**3,436,070**
Equity			
Share capital	29	535,944	535,944
Investment securities revaluation reserve		(10,330)	20,732
Retained earnings		247,783	170,349
Total equity		**773,397**	**727,025**
Total liabilities and equity		**3,848,088**	**4,163,095**

On behalf of the Management Board of the Bank:

Acting Chair of the Management Board
I.O. Potapova

Acting Chief Accountant
I.N. Vashkevich

25 February 2022
Minsk

The notes on pages 7-90 form an integral part of these financial statements.

Statement of changes in equity
For the year ended 31 December 2021

(in thousands of Belarusian rubles)

	Notes	Share capital	Investment securities revaluation reserve	Retained earnings	Total equity
31 December 2019		**535,944**	**20,832**	**188,562**	**745,338**
The adjustment of the comparative period information	2	–	4,965	–	**4,965**
Adjusted balance as at 1 January 2020		**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 and loss		–	2,662	–	**2,662**
Charge of allowances for expected credit losses on investment securities	6	–	3,974	–	**3,974**
Total other comprehensive loss		**–**	**(5,065)**	**–**	**(5,065)**
Total comprehensive (loss) / income for the year		**–**	**(5,065)**	**39,735**	**34,670**
Transactions with shareholders					
Dividends declared and paid after 2019	29	–	–	(57,948)	**(57,948)**
Total transactions with shareholders		**–**	**–**	**(57,948)**	**(57,948)**
31 December 2020		**535,944**	**20,732**	**170,349**	**727,025**
Net profit		**–**	**–**	**77,434**	**77,434**
Other comprehensive (loss) / income, net of income tax					
Investment securities revaluation reserve					
Net change in fair value		–	(28,928)	–	**(28,928)**
Net change in fair value of investment securities transferred to profit and loss		–	582	–	**582**
Recovery of allowances for expected credit losses on investment securities	6	–	(2,716)	–	**(2,716)**
Total other comprehensive loss		**–**	**(31,062)**	**–**	**(31,062)**
Total comprehensive (loss) / income for the year		**–**	**(31,062)**	**77,434**	**46,372**
Transactions with shareholders					
Dividends declared after 2020	29	–	–	–	**–**
Total transactions with shareholders		**–**	**–**	**–**	**–**
31 December 2021		**535,944**	**(10,330)**	**247,783**	**773,397**

On behalf of the Management Board of the Bank:

Acting Chair of the Management Board
I.O. Potapova

Acting Chief Accountant
I.N. Vashkevich

25 February 2022
Minsk

The notes on pages 7-90 form an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2021

(in thousands of Belarusian rubles)

	Notes	*Year ended 31 December 2021*	*Year ended 31 December 2020*
Cash flows from operating activities			
Net profit		**77,434**	**39,735**
Adjustments			
Charge of allowances for expected credit losses on financial assets	6	16,938	67,426
(Recovery)/charge of provisions for expected credit losses on contingent liabilities	6	(243)	311
Income from debt previously written off	6	(13,537)	(9,233)
Loss from initial recognition of interest bearing financial instruments	18	6,137	-
Net change in the fair value of derivatives		184	160
Revaluation of precious metals balance sheet items and impersonal metal accounts	10	-	2,406
Net change in fair value of securities at fair value through profit and loss		12,476	3,308
Effect of assets' recognition at below-market rate		584	(623)
Impairment of non-current assets held for sale	20	1,818	30
Depreciation and amortization	13, 21	18,505	26,283
Loss/(profit) from sale of property, equipment and non-current assets held for sale	12, 13	3,116	(152)
Net change in payroll obligations		(578)	(1,143)
Net interest income	5	(158,975)	(181,376)
Net change in fee and commission income accrued and penalties		(154)	1,027
Loss from disposal of investment securities		582	2,662
Income tax expense	14	12,905	2,352
Translation differences, net	7	(8,441)	(25,917)
Cash flows from operating activities before changes in operating assets and liabilities		**(31,249)**	**(72,744)**
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets			
Minimum mandatory reserve deposit with the National Bank of the Republic of Belarus		2,263	11,198
Due from the National Bank of the Republic of Belarus, banks and other financial institutions		1,333	(8,142)
Securities at fair value through profit and loss		(86)	154,057
Derivative financial instruments		(161)	1,061
Loans to customers		375,923	815,874
Other assets		4,955	7,760
Increase/(decrease) in operating liabilities			
Loans from the National Bank of the Republic of Belarus		(320,520)	398,000
Due to banks and other financial institutions		20,518	(170,713)
Due to customers		93,410	(1,419,752)
Other liabilities		6,731	(1,844)
Interest received		298,449	349,667
Interest paid		(127,127)	(161,625)
Income tax paid		(6,459)	(17,081)
Net cash inflow/(outflow) from operating activities		**317,980**	**(114,284)**

The notes on pages 7-90 form an integral part of these financial statements.

Statement of cash flows (continued)

For the year ended 31 December 2021

(in thousands of Belarusian rubles)

	Notes	*Year ended 31 December 2021*	*Year ended 31 December 2020*
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(16,456)	(24,802)
Proceeds from sale of property, equipment and non-current assets held for sale, other property		430	2,772
Purchase of investment securities		(110,474)	(89,693)
Proceeds from sale and repayment of investment securities		25,688	318,771
Net cash (outflow)/inflow from investing activities		**(100,812)**	**207,048**
Cash flows from financing activities			
Repayment of syndicated loans	31	–	(80,202)
Proceeds from debt securities issued	31	113,785	201,184
Repayment of debt securities issued	31	(160,414)	(294,264)
Attraction of loans received from international financial institutions	31	–	987
Repayment of loans received from international financial institutions	31	(16,056)	(3,790)
Lease payments	27	(1,025)	(878)
Dividends paid	29	–	(57,948)
Net cash outflow from financing activities		**(63,710)**	**(234,911)**
Net change in cash and cash equivalents		**153,458**	**(142,147)**
Effect of exchange rate changes on cash and cash equivalents		(3,057)	21,557
Effect of changes in expected credit losses on cash and cash equivalents		(222)	–
Cash and cash equivalents, beginning of the year	15	555,329	675,919
Cash and cash equivalents, end of the year	15	**705,508**	**555,329**

On behalf of the Management Board of the Bank:

Acting Chair of the Management Board
I.O. Potapova

Acting Chief Accountant
I.N. Vashkevich

25 February 2022
Minsk

The notes on pages 7-90 form an integral part of these financial statements.

(in thousands of Belarusian rubles)

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 2021 and 31 December 2020, the structure of the Bank’s share capital was as follows:

Shareholders	*Ownership interest*
PJSC Gazprom (Russian Federation)	49.818
Gazprombank (Joint Stock Company) (Russian Federation)	49.818
OJSC “Gazprom transgaz Belarus” (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 Acting Chair of the Management Board and the Acting Chief Accountant of the Bank on 25 February 2022.

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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Other basis of presentation criteria (continued)

These financial statements are presented in thousands of Belarusian rubles ("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 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 37.

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 was reflected retrospectively in the financial statements. The changes in fair value measurement approaches for investments in equity instruments had an impact on the statement of changes in equity for the year ended 31 December 2019.

The impact of the Bank's adjustments on the statement of changes in equity for the year ended 31 December 2019 (recalculation of the balance as at 1 January 2020) is described in the table below:

	Book value prior to adjustments as at 31 December 2019/ for the year ended 31 December 2019	*Adjustments*		*Book value after adjustments as at 31 December 2019/ for the year ended 31 December 2019*
		Listed equity securities measured at fair value	*Deferred income tax*	
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**

Recognition of interest income and expenses

Effective interest rate

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

- Gross carrying amount of the financial 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Recognition of interest income and expenses (continued)

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 amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any 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 the 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 rate 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 and loss (FVPL) 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 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

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 recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. 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 banking	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. 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.	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.
Investment banking	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 and loss as trading transactions are carried out. They include:

- Income and expenses from securities measured at fair value through profit and loss;
- Income and expenses from derivative financial instruments.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

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 financial 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. Financial assets and liabilities purchased and sold on an 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 and 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 and loss are recognized directly in profit and 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 are not offset in the income statement unless required or permitted by any accounting standard or corresponding interpretation, and are 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 FVPL.

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

- The financial asset is held within a business model with the objective 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 FVPL:

- 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 assets measured at FVOCI, gains or 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 recognized in profit or loss unless they clearly represent a recovery of part of the initial cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Financial assets classification (continued)

All other financial assets are classified as measured at FVPL.

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 FVPL 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 realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and 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 realized.

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 FVPL 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

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. Repo 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 and loss

A financial asset is classified as at fair value through profit and loss when the financial asset is either held for trading or is designated as at fair value through profit and 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 and loss are stated at fair value, with any remeasurement recognized in profit and 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 and 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Loans to customers

Loans to customers include:

- Loans to customers measured at amortized cost (Note 18). 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 18).

Financial assets impairment

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

- 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 recognized on equity investments.

The Bank recognizes allowances for expected credit losses at an amount equal to lifetime ECL, except for the following financial instruments, for which they are recorded 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 ECL.

The Bank's approach to financial assets impairment, significant increase of credit risk and the definition of default are disclosed in Note 37.

Measurement of ECL

ECL 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 37.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Financial assets impairment (continued)

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 derecognized, 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.

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.

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 37. The information about loans to customers that were modified during the period and, as a result, recorded as renegotiated loans, with the modification loss incurred by the Bank, is presented in Note 18.

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 37.

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.

No impairment allowance is created for POCI assets on their initial recognition. Instead, the amount of lifetime expected credit losses is included into the EIR.

The information about assessing whether financial assets should be defined as POCI assets and the measurement of the allowance for credit losses calculated under the model of expected credit losses on POCI assets is presented in Note 37.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Financial assets impairment (continued)

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 the loss allowance 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 the allowance for expected credit losses 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 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:* no loss allowance is recognized 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 recognized in the investment securities revaluation reserve.

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. Outstanding amounts of legal entities exceeding the Bank's materiality threshold are assessed on an individual basis. Uncollectible loans to individuals are written off provided the principal is more than 630 days overdue.

The recovery of previously written off amounts is included in "Charge of allowance for expected credit losses 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Derecognition of financial assets

The Bank derecognizes 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 derecognized) 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 recognized in other comprehensive income is recognized in profit or loss.

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

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of 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 derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Modification of financial assets and financial liabilities (continued)

If cash flows are modified in consequence of the borrower's financial difficulties, then the objective of the modification is usually to maximize 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 recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification.

Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such 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 derecognizes 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 recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized 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 recognized 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 recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

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 expenses are 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 expenses over the relevant period.

Derivatives

Derivatives are initially recognized 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 recognized 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Leases (continued)

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 are recognized as expenses in profit and loss on a straight-line basis.

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 amounts 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:

	Useful life
Buildings and constructions	from 6 to 125 years
Computer equipment, furniture and other equipment	from 1 to 58 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Intangible assets

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 over their estimated useful lives of 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 recognized 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 life of an object.

Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its property, equipment and non-current assets held for sale (hereinafter, “tangible assets”) 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 and 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 and 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Taxation (continued)

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 at 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 in the income statement, 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

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.

Guarantees, letters of credit 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Guarantees, letters of credit and loan commitments (continued)

Financial guarantees are initially recognized in the financial statements at fair value, being the amount of the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and a provision for expected credit losses.

Loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these commitments are in the scope of the requirements for measurement of expected credit losses. The Bank has no loan commitments measured at FVPL.

For other loan commitments, the Bank recognizes a provision for expected credit losses according to the approach described in Note 37.

Performance guarantees are contracts that provide compensation if another party fails to discharge a contractual obligation. The risk under performance guarantee contracts is the possibility that the other party fails to perform the contractual obligation.

Financial liabilities recognized with respect to issued guarantees and loan commitments are included in provisions in "Other liabilities" (Note 27).

Functional currency

The functional currency of these financial statements is the national currency of the Republic of Belarus – Belarusian ruble.

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 and 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 2021	*31 December 2020*
USD/BYN	2.5481	2.5789
EUR/BYN	2.8826	3.1680
100 RUB/BYN	3.4322	3.4871

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 collateral).

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 18.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

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 34.

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 recognized 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 professional judgments, 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 recognized in the period in which the estimates are revised and in any future periods affected.

Judgments

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized 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 37.

Assumptions and measurement uncertainty

Information about assumptions and measurement uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended 31 December 2021 includes:

Impairment of financial instruments

Measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL/impairment losses and assessing of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for impairment. In addition, large scale business disruptions may lead to liquidity problems for some entities and consumers.

(in thousands of Belarusian rubles)

3. Significant assumptions and key sources of measurement uncertainty (continued)

Assumptions and measurement uncertainty (continued)

Deterioration in the credit quality of loan portfolios and trade receivables (amongst other items) resulting from the COVID-19 pandemic may have an effect on the Bank's ECL measurement. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The internal credit rating system used by the Bank to determine the probability of default (PD);
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL are assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of interrelations between macroeconomic scenarios and economic data, such as the interrelation between the unemployment rate and the collateral value, as well as the impact on the probability of default (PD), exposure at default (EAD), and loss given default (LGD);
- The selection of forward-looking macroeconomic scenarios and their probability weightings to obtain economic inputs for ECL assessment models.

The following assumptions regarding the impairment of financial instruments are presented in Note 37: assessing whether the credit risk of an asset has increased significantly since initial recognition; and incorporating forward-looking information into the measurement of ECL.

The detailed information about the amount of the allowance recognized in the statement of financial position as at 31 December 2021 and 31 December 2020 is presented in Note 18 (Loans to customers), Note 22 (Other financial assets) and Note 32 (Contingent liabilities).

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 35). 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.

(in thousands of Belarusian rubles)

3. Significant assumptions and key sources of measurement uncertainty (continued)

Assumptions and measurement uncertainty (continued)

Securitization of loans to customers

The securitization transaction or financing transaction based on the assignment of rights (claims) on loans to customers with the subsequent issue of bonds was performed by the Bank in the previous reporting periods. As the transaction was performed in the country for the first time and in the test mode to demonstrate a new financial instrument on the market, the principal business model of the Bank provided for the retention of bonds issued by a specialized financial institution and acquired under the securitization transaction to collect contractual cash flows and, accordingly, for the designation of these bonds as measured at amortized cost. The bonds are recognized within “Loans to customers” in the statement of financial position (Note 18).

Assessment of the corporate collection of works of art

Property and equipment comprise the corporate collection of works of art; due to the unique nature of the pieces of art and the impossibility to accurately determine their estimated useful lives, they are included in a separate category of non-depreciable property and equipment.

Deferred tax assets

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The Bank’s management judgment is required to determine the amount of the recognized tax assets based on the timing and amount of future taxable profit.

4. New standards and interpretations in force and not yet effective

The Bank applied for the first time certain amendments to the standards, which became effective for annual periods beginning on or after 1 January 2021. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (IBOR reform Phase 2)

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments provide for the following:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

These amendments had no material impact on the financial statements of the Bank.

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions* – amendment to IFRS 16 *Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.

(in thousands of Belarusian rubles)

4. New standards and interpretations in force and not yet effective (continued)

COVID-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16 (continued)

The amendment applies to annual reporting periods beginning on or after 1 April 2021. The Bank has not received COVID-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

The new standards, amendments and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g., a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Bank is currently in the process of assessing the impact of adopting IFRS 17 on its financial statements.

Amendments to IAS 1 Classification of Liabilities as Current or Non-Current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply retrospectively. The Bank is currently assessing the impact the amendments may have on the current classification of liabilities and whether the existing loan agreements require renegotiation.

(in thousands of Belarusian rubles)

4. New standards and interpretations in force and not yet effective (continued)

Amendments to IFRS 3 Reference to the Conceptual Framework

In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statement*s, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018, without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential “day 2” gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively. The amendments are not expected to have a material impact on the Bank.

Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments.

The amendments are not expected to have a material impact on the Bank.

Amendments to IAS 37: Onerous Contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach.” The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ test for derecognition of financial liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Early application is permitted. The Bank will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendment.

The amendment is not expected to have a significant effect on the Bank’s financial statements.

(in thousands of Belarusian rubles)

4. New standards and interpretations in force and not yet effective (continued)

Amendments to IAS 8 Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates.” The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Bank.

Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, there is no mandatory effective date for the amendments.

The amendments are not expected to have a material impact on the Bank.

5. Net interest income

Net interest income comprises:

	Year ended 31 December 2021	***Year ended 31 December 2020***
Interest income		
Interest income calculated using the effective interest rate method		
Interest on loans to customers	257,172	305,129
Interest on investment securities	21,516	23,666
Interest on due from banks and other financial institutions	2,588	6,623
Interest income on REPO transactions	96	439
Interest income on other transactions	1,042	1,612
Total interest income calculated using the effective interest rate method	**282,414**	**337,469**
Other interest income:		
Interest on securities at fair value through profit and loss	5,755	9,706
Interest income on net investments in finance lease	1,562	1,899
Total other interest income	7,317	11,605
Total interest income	**289,731**	**349,074**
Interest expenses		
Interest expenses on financial instruments recorded at amortized cost		
Interest on due to customers	62,877	89,588
Interest on due to banks and other financial institutions, loans from the National Bank of the Republic of Belarus	48,490	55,289
Interest on subordinated debts	12,141	11,914
Interest on debt securities issued	7,104	10,355
Interest expenses on REPO transactions	–	496
Interest expenses on lease liabilities	140	54
Other interest expenses	4	2
Total interest expenses on financial liabilities recorded at amortized cost	**130,756**	**167,698**
Net interest income	**158,975**	**181,376**

(in thousands of Belarusian rubles)

6. Allowances for expected credit losses

Movements in expected credit loss allowances for financial assets and expected credit loss provisions for financial guarantees and other contingent liabilities for the years ended 31 December 2021 and 31 December 2020 are as follows:

	Loans to customers	*Due from the National Bank of the Republic of Belarus, banks and other financial institutions*	*Cash and cash equivalents*	*Investment securities*	*Other assets*	*Financial guarantees and other contingent liabilities*	*Total*
As at 31 December 2019	**109,790**	**–**	**–**	**8,838**	**2,824**	**1,894**	**123,346**
(Recovery)/charge of allowances	66,646	103	–	1,643	(966)	311	**67,737**
Income from debt previously written off	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**
Charge/(recovery) of allowances	17,162	(28)	222	(2,109)	1,691	(914)	**16,024**
Income from debt previously written off	13,537	–	–	–	–	–	**13,537**
Write-off of assets	(72,334)	–	–	–	(1,515)	–	**(73,849)**
Unwinding of discount	2,229	–	–	–	–	–	**2,229**
Currency exchange differences	(2,504)	–	–	(607)	–	–	**(3,111)**
As at 31 December 2021	**142,841**	**75**	**222**	**10,096**	**1,281**	**1,291**	**155,806**

The amount of charge/(recovery) of allowances in the note "Allowances for expected credit losses" is reduced by the amount of income from debt previously written off (BYN 13,537 thousand and BYN 9,233 thousand in 2021 and 2020, respectively) and by the amount of unwinding of discount (BYN 2,229 thousand and BYN 2,035 thousand in 2021 and 2020, respectively). The listed amounts don't influence allowances for expected credit losses on financial instruments as at 31 December 2021 and 31 December 2020.

Movements in the gross carrying amount and allowances for expected credit losses on loans to customers and investment securities, by stage, are disclosed in Notes 18 and 19, respectively.

Movements in allowances for other financial assets and provisions for contingent liabilities, by stage, are disclosed in Notes 22 and 32, respectively.

7. Net gain from foreign exchange operations

Net gain from foreign exchange operations comprises:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Dealing, net	23,974	27,329
Translation differences, net	8,441	25,917
Total net gain from foreign exchange operations	**32,415**	**53,246**

(in thousands of Belarusian rubles)

8. Net loss from trading operations

Net loss from trading operations is as follows:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Net gain/(loss) on derivative financial instruments	4,580	(33,832)
Net loss on securities at fair value through profit and loss	(12,476)	(3,308)
Total loss from trading operations	**(7,896)**	**(37,140)**

9. Fee and commission income and expense

Fee and commission income and expense comprise:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Fee and commission income		
Bank payment card operations	69,338	56,111
Settlement and cash operations with clients	29,638	30,542
Documentary operations	1,556	1,750
Foreign currency operations	128	67
Other	543	614
Total fee and commission income	**101,203**	**89,084**
Fee and commission expenses		
Bank payment card operations	20,292	15,162
Maintenance of bank accounts	1,326	1,307
Foreign currency operations	333	1,035
Payments accepted in favor of the bank	282	366
Securities operations	68	191
Documentary operations	280	162
Other	768	575
Total fee and commission expenses	**23,349**	**18,798**

10. Net gain/(loss) on operations with precious metals

Net gain/loss on operations with precious metals comprises:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Financial result from operations with precious metals	307	514
Revaluation of precious metals balance sheet items and impersonal metal accounts	–	(2,406)
Total net gain/(loss) on operations with precious metals	**307**	**(1,892)**

11. Net profit arising from derecognition of financial assets measured at amortized cost

During the year ended 31 December 2020, in order to manage the risks and profitability of retail and corporate business operations, the Bank conducted single transactions 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 amortized cost amounted to BYN 1,576 thousand.

Additional information about the transactions mentioned above is disclosed in the Note 18.

(in thousands of Belarusian rubles)

12. Other income

Other income comprises the following:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Fees, received from payment systems	4,941	2,323
Fines and penalties received	2,792	4,600
Lease payments	1,391	1,718
Settlement of tax payments	967	327
Dividends	164	116
Income from disposal of non-current assets held for sale and other property	155	135
Income from disposal of property, equipment, intangible and right-of-use assets	–	17
Other income	2,222	1,679
Total other income	**12,632**	**10,915**

13. Operating expenses

Operating expenses comprise:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Payroll expenses	45,830	46,557
Expenses for services of automated interbank and international settlement system	32,131	25,211
Depreciation and amortization of property and equipment, intangible and right-of-use assets, investment property	18,505	26,283
Mandatory social insurance contributions	13,976	13,235
Expenses on maintenance of banking software	8,644	8,540
Contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	6,431	7,351
Stationery and office expenses	4,135	3,542
Taxes other than income tax	4,027	4,514
Disposal of property, equipment, intangible and right-of-use assets	3,271	–
Rent and property and equipment maintenance	2,805	2,241
Telecommunications expenses	2,678	2,465
Legal fees	2,201	3,085
Charity and sponsorship expenses	2,150	3,316
Advertising costs	2,012	1,808
Security expenses	1,404	1,288
Information and advisory services	1,331	1,337
Insurance expenses	755	2,316
Vehicle maintenance and fuel expenses	624	685
Remuneration to the members of the Board of Directors and the Revision Committee	–	5,312
Other expenses	7,624	6,795
Total operating expenses	**160,534**	**165,881**

For the year ended 31 December 2021, the Bank recognized expenses from short-term leases and leases of low-value assets totaling BYN 81 thousand (2020: BYN 230 thousand).

(in thousands of Belarusian rubles)

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 2021 and 31 December 2020 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 2021 and 31 December 2020 the tax rate for the Bank was 25%.

The tax effect of temporary differences and movements in deferred taxes as at 31 December 2021 and 31 December 2020 are as follows:

		Origination and reversal of temporary differences			***Origination and reversal of temporary differences***		
	31 December 2019	***In other comprehensive income***	***In the income statement***	***31 December 2020***	***In other comprehensive income***	***In the income statement***	***31 December 2021***
Tax effect of deductible temporary differences							
Debt securities issued	–	–	175	175	–	(130)	45
Non-current assets held for sale	47	–	(47)	–	–	420	420
Derivative financial instruments	–	–	–	–	–	1	1
Due from banks and other financial institutions	–	–	9	9	–	(9)	–
Investment property	–	–	1	1	–	(1)	–
Property, equipment, intangible assets, right-of-use assets	6,054	–	4,610	10,664	–	(490)	10,174
Securities at fair value through profit and loss	142	–	275	417	–	3,119	3,536
Other assets	1,222	–	(396)	826	–	(36)	790
Other liabilities	1,494	–	(487)	1,007	–	(120)	887
Deferred tax assets, gross	**8,959**	**–**	**4,140**	**13,099**	**–**	**2,754**	**15,853**
Tax effect of taxable temporary differences							
Loans to customers	(608)	–	(4,514)	(5,122)	–	887	(4,235)
Debt securities issued	(159)	–	159	–	–	–	–
Derivative financial instruments	(91)	–	56	(35)	–	35	–
Due from banks and other financial institutions	(481)	–	481	–	–	(36)	(36)
Due to banks and other financial institutions	(449)	–	(159)	(608)	–	426	(182)
Investment securities	(1,665)	(771)	–	(2,436)	13	–	(2,423)
Provisions for expected credit losses on for contingent liabilities	(569)	–	(242)	(811)	–	(2,379)	(3,190)
Deferred tax liability	**(4,022)**	**(771)**	**(4,219)**	**(9,012)**	**13**	**(1,067)**	**(10,066)**
Deferred tax asset	**4,937**	**(771)**	**(79)**	**4,087**	**13**	**1,687**	**5,787**

(in thousands of Belarusian rubles)

14. Income tax (continued)

The reconciliation of income tax expenses and accounting profit for the years ended 31 December 2021 and 31 December 2020 is as follows:

	Year ended 31 December 2021	*Year ended 31 December 2020*
Profit before tax	**90,339**	**42,087**
	25%	25%
Tax at the statutory tax rate	**22,585**	**10,522**
Tax effect of permanent differences		
Tax effect of income from securities on concessional terms under legislation	(11,945)	(17,034)
Effect of other non-taxable income and non-deductible expenses	2,241	8,585
Effect of changes in the taxable base of property and equipment due to revaluation carried out for tax purposes	24	279
Income tax expense	**12,905**	**2,352**
Current income tax expenses	14,592	2,273
(Recovery)/charge of deferred income tax expense recognized in profit and loss	(1,687)	79
Income tax expense	**12,905**	**2,352**

15. Cash and cash equivalents

	31 December 2021	*31 December 2020*
Cash at the correspondent accounts in the National Bank of the Republic of Belarus	296,400	304,698
Correspondent accounts and demand deposits	253,862	157,177
Cash on hand	77,891	88,295
Deposits with banks and other financial institutions with original maturity of up to 90 days	77,577	5,159
	705,730	**555,329**
Less allowances for losses	(222)	–
Total cash and cash equivalents	**705,508**	**555,329**

As at 31 December 2021 and 31 December 2020, the item includes placements with the National Bank of the Republic of Belarus that exceed 10% of the Bank's equity, which represents a significant concentration (42% and 55% 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 37.

16. Securities at fair value through profit and loss

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

	Credit rating as at 31 December 2021	*Interest rate on nominal value*	*31 December 2021*	*Credit rating as at 31 December 2020*	*Interest rate on nominal value*	*31 December 2020*
Bonds						
Eurobonds of Development Bank of the Republic of Belarus	B	6.75%	54,935	B	6.75%	64,013
Eurobonds of the Republic of Belarus	B	6.20-7.625%	20,915	B	6.20-7.63%	25,301
Total securities at fair value through profit and loss			**75,850**			**89,314**

Approaches to fair value measurement and the analysis by fair value hierarchy levels are presented in Note 35.

(in thousands of Belarusian rubles)

17. 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 2021	*31 December 2020*
Mandatory cash reserves with the National Bank of the Republic of Belarus	20,764	23,027
Funds pledged as a collateral	5,152	10,466
Less allowances for losses	(75)	(103)
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	**25,841**	**33,390**

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 37.

18. Loans to customers

Loans to customers are represented as follows:

	31 December 2021	*31 December 2020*
Loans issued	2,563,873	3,063,053
Net investments in finance lease	4,065	14,991
	2,567,938	**3,078,044**
Less allowances for losses	(142,841)	(184,751)
Total loans to customers	**2,425,097**	**2,893,293**

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

	31 December 2021	*31 December 2020*
Loans to corporate customers	2,011,245	2,441,236
Less allowances for losses	(127,798)	(169,457)
Total corporate loans less allowance for impairment losses	**1,883,447**	**2,271,779**
Loans to individuals	556,693	636,808
Less allowances for losses	(15,043)	(15,294)
Total loans to individuals less allowance for impairment losses	**541,650**	**621,514**

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

The table below represents the structure of the Bank's loan portfolio by industry sector as at 31 December 2021 and 31 December 2020:

	31 December 2021	*31 December 2020*
Analysis by sector		
Retail portfolio	556,693	636,808
Trade	379,808	599,739
Investments in real estate	289,215	343,502
Transport	265,633	270,855
Other industry	235,102	133,803
Chemicals and petrochemicals	178,809	121,924
Financial and insurance services	134,266	181,204
Light industry	80,845	107,808
Food industry	59,513	46,882
Machinery construction	48,937	94,032
Construction	47,557	171,639
Timber industry	25,735	27,500
Agriculture	20,892	43,583
Metallurgy	18,632	141,191
Oil industry	18,245	22,670
Energy industry	10,151	6,925
Media business	1,784	2,374
Communications	1,641	17,686
Gas transportation	6	12,219
Other	194,474	95,700
	2,567,938	**3,078,044**
Less allowances for losses	(142,841)	(184,751)
Total loans to customers	**2,425,097**	**2,893,293**

All loans were provided to entities operating in the Republic of Belarus, which is a significant geographical concentration specific to the Belarusian banking system as a whole.

As at 31 December 2021, the Bank provided loans to four customers totaling BYN 420,525 thousand before allowances for losses where the debt of each borrower individually exceeded 10% of the Bank's equity.

As at 31 December 2020, the Bank provided loans to six customers totaling BYN 619,049 thousand before allowances for 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 23).

As at 31 December 2021 and 31 December 2020, bonds previously purchased by the Bank under the securitization transaction and classified as loans to customers amounted to BYN 25,545 thousand and BYN 29,579 thousand, respectively.

Loss from initial recognition of POCI assets amounted to BYN 6,137 thousand and represents expenses from initial recognition of interest bearing financial instruments.

The retail portfolio comprises the following products:

	31 December 2021	*31 December 2020*
Car loans	330,239	366,812
Payment cards	153,641	175,948
Loans on real estate purchase	63,861	66,655
Consumer loans	8,937	27,235
Other	15	158
	556,693	**636,808**
Less allowances for losses	(15,043)	(15,294)
Total loans to individuals	**541,650**	**621,514**

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

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 client loan portfolio totaling BYN 85,455 thousand.

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.

As at 31 December 2021, the loans to corporate customers of the credit quality "Not rated" include the overdue amounts totaling BYN 706 thousand overdue over 30 days, BYN 2,584 thousand overdue over 90 days (31 December 2020: BYN 1,236 thousand overdue over 30 days and BYN 4,360 thousand overdue over 90 days).

The following table discloses changes in the gross carrying amount and credit loss allowances for loans to corporate customers by stages for the years, ended 31 December 2021 and 31 December 2020:

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*POCI assets*	*Total*
Gross carrying amount					
As at 31 December 2020	**729,558**	**1,427,436**	**269,251**	**–**	**2,426,245**
Transfer to 12-month ECL	608,588	(608,293)	(295)	–	**–**
Transfer to lifetime ECL, not credit-impaired assets	(734,804)	735,172	(368)	–	**–**
Transfer to lifetime ECL, credit-impaired assets	(17,381)	(128,984)	146,365	–	**–**
Newly originated or purchased financial assets	602,270	–	–	5,491	**607,761**
Derecognized financial assets	(187,112)	(200,573)	(122,242)	–	**(509,927)**
Write-off of financial assets against allowances created	–	–	(58,630)	–	**(58,630)**
Unwinding of discount	–	–	2,185	–	**2,185**
Currency exchange differences	(23,402)	(48,826)	(8,983)	(16)	**(81,227)**
Other changes*	(399,430)	25,481	(5,315)	37	**(379,227)**
As at 31 December 2021	**578,287**	**1,201,413**	**221,968**	**5,512**	**2,007,180**
Loss allowance					
As at 31 December 2020	**3,223**	**43,501**	**121,414**	**–**	**168,138**
Transfer to 12-month ECL	9,544	(9,470)	(74)	–	**–**
Transfer to lifetime ECL, not credit-impaired assets	(4,589)	4,644	(55)	–	**–**
Transfer to lifetime ECL, credit-impaired assets	(161)	(6,515)	6,676	–	**–**
Newly originated or purchased financial assets	9,837	–	–	207	**10,044**
Derecognized financial assets	(355)	(1,472)	(18,471)	–	**(20,298)**
Write-off of financial assets against allowances created	–	–	(58,630)	–	**(58,630)**
Income from debt previously written off	–	–	7,014	–	**7,014**
Unwinding of discount	–	–	2,185	–	**2,185**
Currency exchange differences	(219)	(1,028)	(1,257)	–	**(2,504)**
Net change in loss allowance	(15,538)	(12,392)	49,102	–	**21,172**
As at 31 December 2021	**1,742**	**17,268**	**107,904**	**207**	**127,121**

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*POCI assets*	*Total*
Gross carrying amount					
As at 31 December 2019	**2,035,045**	**555,947**	**151,221**	**–**	**2,742,213**
Transfer to 12-month 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**
Derecognized financial assets	(85,455)	–	–	–	**(85,455)**
Write-off of financial assets against allowances created	–	–	(13,539)	–	**(13,539)**
Unwinding of discount	–	–	1,942	–	**1,942**
Currency exchange differences	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**
Loss allowance					
As at 31 December 2019	**6,169**	**4,746**	**87,881**	**–**	**98,796**
Transfer to 12-month 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**
Derecognized financial assets	(323)	–	–	–	**(323)**
Write-off of financial assets against allowances created	–	–	(13,539)	–	**(13,539)**
Income from debt previously written off	–	–	5,712	–	**5,712**
Unwinding of discount	–	–	1,942	–	**1,942**
Currency exchange differences	1,927	3,888	16,049	–	**21,864**
Net change in loss allowance	(12,612)	28,263	31,689	–	**47,340**
As at 31 December 2020	**3,223**	**43,501**	**121,414**	–	**168,138**

* *Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.*

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

The following table discloses changes in the gross carrying amount and credit loss allowances for net investments in finance lease to corporate customers by stages for the years ended 31 December 2021 and 31 December 2020:

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*Total*
Gross carrying amount				
As at 31 December 2020	**2,010**	**10,960**	**2,021**	**14,991**
Transfer to 12-month ECL	–	–	–	**–**
Transfer to lifetime ECL, not credit-impaired assets	(1,417)	1,417	–	**–**
Newly originated or purchased financial assets	59	60	–	**119**
Derecognized financial assets	(66)	(8,017)	–	**(8,083)**
Other changes*	(493)	(1,473)	(996)	**(2,962)**
As at 31 December 2021	**93**	**2,947**	**1,025**	**4,065**
Loss allowance				
As at 31 December 2020	**4**	**204**	**1,111**	**1,319**
Transfer to 12-month ECL	–	–	–	**–**
Transfer to lifetime ECL, not credit-impaired assets	(2)	2	–	**–**
Transfer to lifetime ECL, credit-impaired assets	(1)	–	1	**–**
Derecognized financial assets	–	(345)	–	**(345)**
Net change in loss allowance	(1)	203	(499)	**(297)**
As at 31 December 2021	**–**	**64**	**613**	**677**
Gross carrying amount				
As at 31 December 2019	**3,806**	**12,250**	**2,200**	**18,256**
Transfer to 12-month 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 differences	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**
Loss allowance				
As at 31 December 2019	**11**	**222**	**1,029**	**1,262**
Transfer to 12-month ECL	8	(8)	–	**–**
Transfer to lifetime ECL, not credit-impaired assets	(79)	79	–	**–**
Transfer to lifetime ECL, credit-impaired assets	(1)	–	1	**–**
Currency exchange differences	–	17	17	**34**
Net change in loss allowance	65	(106)	64	**23**
As at 31 December 2020	**4**	**204**	**1,111**	**1,319**

* *Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.*

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

The following table discloses changes in the gross carrying amount and credit loss allowances for loans to individuals by stages for the years ended 31 December 2021 and 31 December 2020:

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*Total*
Gross carrying amount				
As at 31 December 2020	**615,956**	**9,075**	**11,777**	**636,808**
Transfer to 12-month ECL	16,491	(15,038)	(1,453)	**–**
Transfer to lifetime ECL, not credit-impaired assets	(19,669)	20,046	(377)	**–**
Transfer to lifetime ECL, credit-impaired assets	(3,161)	(6,640)	9,801	**–**
Newly originated or purchased financial assets	50,178	–	–	**50,178**
Derecognized financial assets	(32,327)	(719)	(1,475)	**(34,521)**
Write-off of financial assets against allowances created	–	–	(13,704)	**(13,704)**
Unwinding of discount	–	–	44	**44**
Currency exchange differences	(12)	–	–	**(12)**
Other changes*	(92,494)	(583)	10,977	**(82,100)**
As at 31 December 2021	**534,962**	**6,141**	**15,590**	**556,693**
Loss allowance				
As at 31 December 2020	**6,300**	**3,585**	**5,409**	**15,294**
Transfer to 12-month ECL	6,897	(5,991)	(906)	**–**
Transfer to lifetime ECL, not credit-impaired assets	(735)	969	(234)	**–**
Transfer to lifetime ECL, credit-impaired assets	(303)	(3,100)	3,403	**–**
Newly originated or purchased financial assets	279	–	–	**279**
Derecognized financial assets	(284)	(256)	(843)	**(1,383)**
Write-off of financial assets against allowances created	–	–	(13,704)	**(13,704)**
Income from debt previously written off	–	–	6,523	**6,523**
Unwinding of discount	–	–	44	**44**
Currency exchange differences	–	–	–	**–**
Net change in loss allowance	(8,752)	6,913	9,829	**7,990**
As at 31 December 2021	**3,402**	**2,120**	**9,521**	**15,043**

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*Total*
Gross carrying amount				
As at 31 December 2019	**662,116**	**7,028**	**7,916**	**677,060**
Transfer to 12-month 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**
Derecognized financial assets	(21,284)	–	–	**(21,284)**
Write-off of financial assets against allowances created	–	–	(11,402)	**(11,402)**
Unwinding of discount	–	–	93	**93**
Currency exchange differences	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**
Loss allowance				
As at 31 December 2019	**3,436**	**2,175**	**4,121**	**9,732**
Transfer to 12-month 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**
Derecognized financial assets	(9)	–	–	**(9)**
Write-off of financial assets against allowances created	–	–	(11,402)	**(11,402)**
Income from debt previously written off	–	–	3,521	**3,521**
Unwinding of discount	–	–	93	**93**
Currency exchange differences	88	1	1	**90**
Net change in loss allowance	(2,618)	10,504	4,034	**11,920**
As at 31 December 2020	**6,300**	**3,585**	**5,409**	**15,294**

* *Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.*

Additional information about movements in allowances for losses on loans to customers for the years ended 31 December 2021 and 31 December 2020 is disclosed in Note 6.

As at 31 December 2021 and 31 December 2020, Stage 2 and 3 assets that were modified during the period and, as a result, recorded as renegotiated loans, amounted to BYN 327,021 thousand and BYN 412,527 thousand, respectively. Stage 2 and 3 loans to customers renegotiated in 2021 and 2020 amounted to BYN 149,644 thousand and BYN 303,368 thousand, respectively.

The contractual amount outstanding on loans and advances to customers at amortized cost that were written off during the year ended 31 December 2021 but were still subject to enforcement activity amounted to BYN 23,779 thousand (2020: BYN 30,105 thousand).

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

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 2021	*31 December 2020*
Loans collateralized by real estate and rights thereto	896,137	1,274,961
Loans collateralized by equipment and rights thereto	735,681	843,258
Loans collateralized by rights over receivables	204,833	93,526
Loans collateralized by guarantees of legal entities	145,392	193,887
Loans collateralized by inventories	143,998	160,601
Loans collateralized by guarantees of states	97,616	–
Loans collateralized by guarantees of individuals	39,758	41,605
Loans collateralized by insurance of credit risk exposure	2,061	18,677
Loans collateralized by cash and guarantee deposit	1,464	3,428
Loans collateralized by securities	709	517
Unsecured loans and loans collateralized by other and mixed types of collateral	300,289	447,584
	2,567,938	**3,078,044**
Less allowances for losses	(142,841)	(184,751)
Total loans to customers	**2,425,097**	**2,893,293**

The table above excludes overcollateralization. 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 2021, the fair value of collateral pledged in respect of impaired loans together with excess collateral amounted to BYN 349,608 thousand (31 December 2020: RUB 493,906 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 2021, the cost of repossessed assets accounted for within property and equipment and non-current assets held for sale amounted to BYN 2,575 thousand and BYN 14,848 thousand, respectively.

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

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

The components of net investments in finance lease as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	*31 December 2020*
Less than 1 year	2,206	5,186
From 1 to 5 years	4,131	14,503
More than 5 years	13	583
Minimum payments under finance lease	**6,350**	**20,272**
Less: unearned finance income	(2,285)	(5,281)
Net investments in finance lease before allowance	**4,065**	**14,991**
Less allowance for losses	(677)	(1,319)
Total finance lease receivables	**3,388**	**13,672**
Less than 1 year	1,594	3,623
From 1 to 5 years	2,471	11,089
More than 5 years	–	279
Net investments in finance lease before allowance	**4,065**	**14,991**
Less allowance for losses	(677)	(1,319)
Net investments in finance lease	**3,388**	**13,672**

As at 31 December 2021 and 31 December 2020, information about loans to customers is presented in the table below by overdue periods with regard to expected credit losses:

	12-month ECL	*Lifetime ECL on assets that are not credit-impaired*	*Lifetime ECL on credit-impaired assets*	*POCI assets*	*31 December 2021*
Loans to corporate customers measured at amortized cost					
Not overdue	577,509	1,201,573	189,431	–	**1,968,513**
Overdue:					
- up to 30 days	871	1,405	7,126	–	**9,402**
- from 31 to 60 days	–	703	1,029	–	**1,732**
- from 61 to 90 days	–	679	1,695	–	**2,374**
- from 91 to 180 days	–	–	3,266	5,313	**8,579**
- over 180 days	–	–	20,446	199	**20,645**
Loss allowances	(1,742)	(17,332)	(108,517)	(207)	**(127,798)**
Carrying amount	**576,638**	**1,187,028**	**114,476**	**5,305**	**1,883,447**
Loans to individuals measured at amortized cost					
Not overdue	522,871	–	–	–	**522,871**
Overdue:					
- up to 30 days	12,091	–	–	–	**12,091**
- from 31 to 60 days	–	4,390	–	–	**4,390**
- from 61 to 90 days	–	1,751	–	–	**1,751**
- from 91 to 180 days	–	–	1,903	–	**1,903**
- over 180 days	–	–	13,687	–	**13,687**
Loss allowances	(3,402)	(2,120)	(9,521)	–	**(15,043)**
Carrying amount	**531,560**	**4,021**	**6,069**	**–**	**541,650**
Loans to customers	**1,108,198**	**1,191,049**	**120,545**	**5,305**	**2,425,097**

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

	12-month ECL	*Lifetime ECL on assets that are not credit-impaired*	*Lifetime ECL on credit-impaired assets*	*POCI assets*	*31 December 2020*
Loans to corporate customers measured at amortized cost					
Not overdue	730,699	1,432,229	213,088	–	**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 allowances	(3,227)	(43,705)	(122,525)	–	**(169,457)**
Carrying amount	**728,341**	**1,394,691**	**148,747**	**–**	**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 allowances	(6,300)	(3,585)	(5,409)	–	**(15,294)**
Carrying amount	**609,656**	**5,490**	**6,368**	**–**	**621,514**
Loans to customers	**1,337,997**	**1,400,181**	**155,115**	**–**	**2,893,293**

Analysis of the credit quality of loans provided to retail customers, by product and overdue period, as at 31 December 2021 and 31 December 2020 is presented as follows:

	Payment cards	*Car loans*	*Real estate loans*	*Consumer loans*	*Other*	*31 December 2021 Total*
Loans to individuals assessed collectively						
Not overdue	138,336	314,620	61,940	7,960	15	**522,871**
Overdue:						
- up to 30 days	4,706	6,331	992	62	–	**12,091**
- from 31 to 60 days	1,274	2,363	742	11	–	**4,390**
- from 61 to 90 days	749	991	–	11	–	**1,751**
- from 91 to 180 days	978	883	26	16	–	**1,903**
- over 180 days	7,598	5,051	161	877	–	**13,687**
Loss allowances	(7,323)	(6,909)	(237)	(574)	–	**(15,043)**
Loans to individuals less allowances for losses	**146,318**	**323,330**	**63,624**	**8,363**	**15**	**541,650**

(in thousands of Belarusian rubles)

18. Loans to customers (continued)

	Payment cards	*Car loans*	*Real estate loans*	*Consumer loans*	*Other*	*31 December 2020 Total*
Loans to individuals assessed collectively						
Not overdue	159,511	351,074	64,281	25,078	158	**600,102**
Overdue:						
- up to 30 days	6,485	7,257	1,826	286	–	**15,854**
- from 31 to 60 days	2,221	3,316	540	126	–	**6,203**
- from 61 to 90 days	1,222	1,650	–	–	–	**2,872**
- from 91 to 180 days	2,472	1,169	–	1,013	–	**4,654**
- over 180 days	4,037	2,346	8	732	–	**7,123**
Loss allowances	(7,879)	(5,898)	(140)	(1,375)	(2)	**(15,294)**
Loans to individuals less allowances for losses	**168,069**	**360,914**	**66,515**	**25,860**	**156**	**621,514**

19. Investment securities

Investment securities are as follows:

	Interest rate on the nominal value	*31 December 2021*	*Interest rate on the nominal value*	*31 December 2020*
Long-term government bonds in foreign currency	3.70-7.00%	393,477	3.70-7.00%	355,548
Bonds issued by Belarusian banks, BYN	9.25%	7,241	7.75%	7,651
Bonds issued by local authorities, BYN	9.25%	790	7.75%	1,157
Listed equity instruments		9,650		9,702
Other unlisted equity instruments		892		766
Total investment securities		**412,050**		**374,824**

As at 31 December 2021, investment securities totaling BYN 74,127 thousand were pledged as collateral for the Bank's loan commitments (Note 23).

As at 31 December 2020, investment securities totaling BYN 161,876 thousand were pledged as collateral for the Bank's loan commitments (Note 23).

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

As at 31 December 2021 and 31 December 2020, listed equity instruments include the shares of MasterCard Inc. measured at fair value, totaling BYN 9,650 thousand and BYN 9,702 thousand, respectively. Other unlisted equity instruments include shares of resident and non-resident corporate clients in the amount of BYN 892 thousand and BYN 766 thousand as at 31 December 2021 and 31 December 2020, respectively.

As at 31 December 2021 and 31 December 2020, a loss allowance on investment securities equal to 12-month expected credit losses was recognized in other comprehensive income amounting to BYN 10,096 thousand and BYN 12,812 thousand, respectively.

(in thousands of Belarusian rubles)

19. Investment securities (continued)

The following table discloses changes in the gross carrying amount and allowances for expected credit losses on debt investment securities measured at FVOCI in stages for the years, ended 31 December 2021 and 31 December 2020, respectively.

Debt investment securities measured at FVOCI	*Stage 1 (12-month ECL)*	*Total gross carrying amount*	*Stage 1 (12-month ECL)*	*Total loss allowance*
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**
Derecognized 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**
As at 31 December 2020	**364,356**	**364,356**	**12,812**	**12,812**
Newly originated or purchased financial assets	116,620	**116,620**	3,489	**3,489**
Derecognized financial assets	(24,541)	**(24,541)**	(639)	**(639)**
Currency exchange differences	(21,421)	**(21,421)**	(607)	**(607)**
Other changes*	(33,506)	**(33,506)**	(4,959)	**(4,959)**
As at 31 December 2021	**401,508**	**401,508**	**10,096**	**10,096**

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

20. 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 2020	**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**
Additions	3,023	287	**3,310**
Disposals	(1,312)	(237)	**(1,549)**
Impairment	(1,818)	–	**(1,818)**
As at 31 December 2021	**16,059**	**515**	**16,574**

As at 31 December 2021 and 31 December 2020, non-current assets held for sale include the 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 2021 and 31 December 2020, non-current assets held for sale include buildings and constructions, transferred by the Bank to the trust management, amounting to BYN 6,271 thousand and BYN 15,836 thousand, respectively.

(in thousands of Belarusian rubles)

21. Property, equipment, intangible and right-of-use assets

Property, equipment and intangible assets comprise:

	Buildings and construc-tions	*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 2020	**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**
Additions	–	–	–	–	19,654	–	**19,654**
Transfers between categories and lines	10,249	6,735	206	–	(29,435)	12,245	**–**
Disposals	(3,242)	(2,145)	(665)	–	(1,862)	(1,430)	**(9,344)**
As at 31 December 2021	**101,663**	**80,364**	**3,462**	**17,490**	**1,364**	**84,962**	**289,305**
Accumulated depreciation							
As at 1 January 2020	**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**
Charge for the year	1,405	7,612	408	–	–	8,219	**17,644**
Written off on disposal	(724)	(2,099)	(558)	–	–	(1,384)	**(4,765)**
As at 31 December 2021	**9,648**	**53,697**	**2,503**	**–**	**–**	**61,433**	**127,281**
Net book value							
31 December 2021	**92,015**	**26,667**	**959**	**17,490**	**1,364**	**23,529**	**162,024**
31 December 2020	**85,689**	**27,590**	**1,268**	**17,490**	**13,007**	**19,549**	**164,593**

As at 31 December 2021 and 31 December 2020, the Bank transferred to the trust management buildings and constructions in the amount of BYN 339 thousand and BYN 5,216 thousand, respectively.

As at 31 December 2021, fully depreciated items of property and equipment and fully amortized intangible assets amounted to BYN 27,318 thousand and BYN 9,967 thousand, respectively. As at 31 December 2020, fully depreciated items of property and equipment and fully amortized intangible assets amounted to BYN 21,019 thousand and BYN 9,087 thousand, respectively.

As at 31 December 2021 and 31 December 2020, buildings with a net book value of BYN 34,620 thousand and BYN 34,971 thousand, respectively, were pledged as collateral for the Bank's loan commitments.

In 2021, real estate, vehicles, furniture and other equipment of BYN 3,242 thousand, BYN 354 thousand and BYN 279 thousand, respectively, were transferred from property and equipment to non-current assets held for sale. Depreciation accumulated as at the date of disposal amounted to BYN 725 thousand, BYN 251 thousand and BYN 231 thousand, respectively.

In 2020, real estate, vehicles, furniture and other equipment of BYN 225 thousand, BYN 166 thousand and BYN 25 thousand, respectively, were transferred from property and equipment to non-current assets held for sale. Depreciation accumulated as at the date of disposal amounted to BYN 64 thousand, BYN 166 thousand and BYN 20 thousand, respectively.

As at 31 December 2021 and 31 December 2020, 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 everyday operation, to locate the Bank's offices and to build the necessary infrastructure. The Bank rented billboards, cable-line structures, virtual resources and places for technical equipment accommodation.

(in thousands of Belarusian rubles)

21. Property, equipment, intangible and right-of-use assets (continued)

Movements in right-of-use assets are as follows:

	Right-of-use assets
Initial cost	
As at 31 December 2019	**2,939**
Additions	637
Disposals	(747)
As at 31 December 2020	**2,829**
Additions	1,052
Disposals	(729)
As at 31 December 2021	**3,152**
Accumulated depreciation	
As at 31 December 2019	**754**
Charge for the year	827
Written off on disposal	(700)
As at 31 December 2020	**881**
Charge for the year	861
Written off on disposal	(643)
As at 31 December 2021	**1,099**
Net book value	
31 December 2020	**1,948**
31 December 2021	**2,053**

22. Other assets

Other assets comprise:

	31 December 2021	***31 December 2020***
Other financial assets		
Settlements on bank payment cards	8,025	11,607
Fee and commission income and penalties accrued	2,248	2,094
Funds in settlement	1,950	3,024
Receivables from sale of non-current assets held for sale	5	68
Other debtors	1,205	1,087
Less allowances for losses	(1,281)	(1,105)
Total other financial assets	**12,152**	**16,775**
Other non-financial assets		
Prepayments for property, equipment and other assets	2,781	2,679
Prepaid expenses and other non-financial assets	1,553	819
Inventories	445	558
Precious metals	324	375
Taxes recoverable and prepaid taxes other than income tax	27	2,228
Total other assets	**17,282**	**23,434**

(in thousands of Belarusian rubles)

22. Other assets (continued)

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

Other financial assets	*Lifetime ECL on assets that are not credit-impaired*	*Lifetime ECL on credit-impaired assets*	*31 December 2021*
Overdue			
- up to 30 days	2,086	–	**2,086**
- from 31 to 120 days	144	–	**144**
- from 121 to 210 days	108	–	**108**
- from 211 to 360 days	113	–	**113**
- over 360 days	–	1,007	**1,007**
No maturity (not overdue)	9,975	–	**9,975**
Less allowances for losses	(274)	(1,007)	**(1,281)**
Total other financial assets	**12,152**	**–**	**12,152**

Other financial assets	*Lifetime ECL on assets that are not credit-impaired*	*Lifetime ECL on 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 allowances for losses	(290)	(815)	**(1,105)**
Total other financial assets	**16,775**	**–**	**16,775**

The table below discloses changes in allowances for expected credit losses on other financial assets, by stage, for the years ended 31 December 2021 and 31 December 2020:

Allowances for other financial assets	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*Total*
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 allowances created	–	(752)	**(752)**
Net change in loss allowance*	(479)	(904)	**(1,383)**
As at 31 December 2020	**290**	**815**	**1,105**
Transfer to lifetime ECL, credit-impaired assets	–	–	**–**
Newly originated or purchased financial assets	162	–	**162**
Write-off of financial assets against allowances created	–	(1,515)	**(1,515)**
Net change in loss allowance*	(178)	1,707	**1,529**
As at 31 December 2021	**274**	**1,007**	**1,281**

* *Including the effect of repayment (early repayment).*

(in thousands of Belarusian rubles)

23. Loans from the National Bank of the Republic of Belarus

As at 31 December 2021, loans from the National Bank of the Republic of Belarus amounted to BYN 74,891 thousand and were collateralized by debt securities in foreign currency with a fair value of BYN 74,127 thousand (Note 19).

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 19) 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 18).

Additional information on goals and financing terms is disclosed in the Note 37 as a part of the liquidity risk disclosure.

24. Due to banks and other financial institutions

Due banks and other financial institutions comprise:

	31 December 2021	*31 December 2020*
Loans from banks and non-banking financial institutions	526,820	618,445
Syndicated loan	129,668	141,567
Correspondent and demand accounts of other banks	109,537	37,689
Long-term loans from international financial institutions	10,879	29,176
Funds received as a collateral	9,223	8,315
Total due to banks and other financial institutions	**786,127**	**835,192**

As at 31 December 2021, due to banks and other financial institutions included loans from three banks totaling BYN 504,934 thousand that individually exceeded 10% of the Bank’s equity, which represents a significant concentration (64% of the total amount).

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 2021 and 31 December 2020, the Bank fulfilled the covenants established in the loan agreements.

25. Due to customers

Due to customers comprise:

	31 December 2021	*31 December 2020*
Term deposits	1,320,736	1,342,879
Current/settlement accounts and demand deposits	656,457	585,077
Total due to customers	**1,977,193**	**1,927,956**

(in thousands of Belarusian rubles)

25. Due to customers (continued)

Below are the Bank's due to customers by industries as at 31 December 2021 and 31 December 2020:

Analysis by sectors:	***31 December 2021***	***31 December 2020***
Individuals	1,052,662	1,120,098
Gas transportation	206,793	38,825
Trade	191,723	175,940
Machinery construction	111,140	130,190
Construction	77,106	125,570
Investments in real estate	51,593	36,875
Other industry	45,896	45,055
Transport	45,147	49,833
Financial and insurance companies	29,141	46,222
Agriculture	16,084	13,949
Oil industry	15,346	2,752
Timber industry	14,566	22,793
Chemicals and petrochemicals	9,906	13,011
Food industry	9,833	35,760
Metallurgy	5,634	4,283
Light industry	4,709	4,249
Media business	4,067	4,446
Communication	2,918	1,657
Energy sector	2,445	655
Government administration	1,655	1,723
Other	78,829	54,070
Total due to customers	**1,977,193**	**1,927,956**

As at 31 December 2021, due to customers totaling BYN 176,450 thousand (9% of the total amount) comprised the balances of accounts of one customer, which represents significant concentration.

As at 31 December 2020, there are no balances of customer accounts, which represent significant concentration.

As at 31 December 2021 and 31 December 2020, due to customers of BYN 9,146 thousand and BYN 7,899 thousand, respectively, were held as collateral against letters of credit, guarantees and loans issued by the Bank.

26. Debt securities issued

	Currency	***Maturity date***	***Interest rate***	***31 December 2021***
Bonds issued by the Bank and held by individuals	US dollar	January 2020 – December 2023	0.3-8.5%	13,675
	Euro	January 2020 – December 2023	2.0-6.5%	10,779
Bonds issued by the Bank and held by legal entities	Belarusian ruble	December 2024	9.5%	7,708
Total debt securities issued				**32,162**

	Currency	***Maturity date***	***Interest rate***	***31 December 2020***
Bonds issued by the Bank and held by individuals	US dollar	January 2020 – December 2023	0.3-8.5%	22,581
	Euro	January 2020 – December 2023	2.0-6.5%	24,833
Bonds issued by the Bank and held by legal entities	Belarusian ruble	December 2024	9.5%	27,445
Total debt securities issued				**74,859**

(in thousands of Belarusian rubles)

27. Other liabilities

Other liabilities comprise:

	31 December 2021	*31 December 2020*
Other financial liabilities		
Settlements on other banking operations and accrued expenses	10,346	8,258
Lease liabilities	2,220	2,220
Provisions for financial guarantees and other contingent liabilities	1,291	2,205
Settlements for property and equipment and other assets acquired	1,070	1,116
Total other financial liabilities	**14,927**	**13,799**
Other non-financial liabilities		
Salary payable to employees	4,593	5,171
Taxes payable other than income tax	2,269	1,039
Prepayments received	2,091	–
Payables to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	1,578	1,674
Provisions for non-financial guarantees	784	–
Other non-financial liabilities	228	242
Total other liabilities	**26,470**	**21,925**

Movements in provisions for financial guarantees and other contingent liabilities for the years ended 31 December 2021 and 31 December 2020 are disclosed in Note 6, and movements by stage are disclosed in Note 32.

Movements in lease liabilities are disclosed in the following table:

	Lease liabilities
As at 31 December 2019	**2,115**
Additions	619
Repayment	(878)
Interest expenses	(54)
Variable lease payment adjustment	418
As at 31 December 2020	**2,220**
Additions	952
Repayment	(1,025)
Interest expenses	140
Variable lease payment adjustment	(67)
As at 31 December 2021	**2,220**

28. Subordinated debt

	Currency	*Maturity date*	*Interest rate*	*31 December 2021*	*31 December 2020*
The subordinated debt from Gazprombank (Joint-stock Company)	Russian rubles	January 2023	5.95%	89,629	91,063
The subordinated debt from PJSC Gazprom	Russian rubles	January 2023	8.25%	85,073	86,434
Total subordinated loans				**174,702**	**177,497**

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.

In October 2021, Gazprombank (Joint Stock Company) and PJSC Gazprom entered into additional agreements on the extension of subordinated loans received in equal portions and maturing in January 2023, without significantly changing other original terms and conditions.

(in thousands of Belarusian rubles)

29. Share capital

As at 31 December 2021 and 31 December 2020, authorized, issued and fully paid share 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.

In the reporting year, dividends for 2020 were not paid; the respective decision was made by the General Meeting of Shareholders.

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.

30. 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 2021	***Year ended 31 December 2020***
Earnings used for calculating earnings per share	77,434	39,735
Weighted average number of shares used for calculating earnings per share	34,812,225,866	34,812,225,866
Earnings per share (BYN)	**0.0022**	**0.0011**

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

(in thousands of Belarusian rubles)

31. Reconciliation of changes in liabilities and cash flows from financing activities

	Loans from international financial institutions	*Debt securities issued*	*Subordinated loans*	*Syndicated loans*
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**
Cash flow				
Inflows	–	113,785	–	–
Outflows	(16,056)	(160,414)	–	–
Total changes related to cash flows from financing activities	**(16,056)**	**(46,629)**	**–**	**–**
Non-monetary changes				
Effect of exchange rate fluctuations	(2,141)	(2,344)	(2,762)	(12,850)
Other changes				
Interest paid	(741)	(828)	(12,174)	(3,602)
Interest accrued	641	7,104	12,141	4,553
Balance as at 31 December 2021	**10,879**	**32,162**	**174,702**	**129,668**

Movements in lease liabilities are disclosed in Note 27.

Information on the amounts of loans from international financial organizations, as well as the syndicated loan amount is disclosed in Note 24. Information on the amounts of debt securities issued by the Bank is disclosed in Note 26, information on the amounts of subordinated debt is presented in Note 28.

32. 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 2021 and 31 December 2020, the nominal or contract amounts of contingent liabilities and loan commitments were as follows:

	31 December 2021	*31 December 2020*
Contingent liabilities and loan commitments		
Commitments on loans and unused credit lines	465,656	402,912
Non-financial guarantees issued and similar commitments	70,198	50,647
Financial guarantees issued and similar commitments	13,836	63,607
Letters of credit, not covered	4,989	13,531
Letters of credit, covered	4,853	967
Total contingent liabilities and loan commitments	**559,532**	**531,664**

(in thousands of Belarusian rubles)

32. Deferred financial commitments and contingencies, operating environment (continued)

Provisions for expected credit losses on some loan commitments is recognized within the credit loss allowance on loans to customers (Note 18), given the Bank is unable to distinguish the amount of the expected credit losses on the unclaimed component of the loan commitments from those relating to the already issued loans.

The following table discloses changes in provisions for expected credit losses on contingent liabilities recorded in other liabilities for the years ended 31 December 2021 and 31 December 2020:

Provisions for contingent liabilities	***Stage 1 (12-month ECL)***	***Stage 2 (lifetime ECL on assets that are not credit-impaired)***	***Stage 3 (lifetime ECL on credit-impaired assets)***	***Total***
As at 31 December 2019	**1,759**	**135**	**–**	**1,894**
Transfer to 12-month 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 contingent liabilities	1,702	–	–	**1,702**
Net change in loss provision	(1,794)	405	(2)	**(1,391)**
As at 31 December 2020	**1,549**	**656**	**–**	**2,205**
Transfer to 12-month ECL	413	(413)	–	**–**
Transfer to lifetime ECL, not credit-impaired assets	(3,015)	3,015	–	**–**
Transfer to lifetime ECL, credit-impaired assets	–	(6)	6	**–**
Newly originated or purchased contingent liabilities	3,199	–	–	**3,199**
Derecognized contingent liabilities	(679)	(205)	–	**(884)**
Net change in loss provision*	(835)	(2,388)	(6)	**(3,229)**
As at 31 December 2021	**632**	**659**	**–**	**1,291**

* *Including the effect of repayment (early repayment).*

Provisions for financial guarantees and other contingent liabilities are recognized within other liabilities (Note 27).

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 2021 and 31 December 2020, 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 reporting period ended 31 December 2021, the Bank made no contributions to the voluntary supplementary pension insurance program. During the reporting period ended 31 December 2020, the Bank contributed to the voluntary supplementary pension insurance program under the defined contribution pension plan.

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. The supervising authorities can review earlier tax periods.

The Belarusian tax legislation ensures control over transfer pricing and introduced transfer pricing reporting requirements. Tax authorities may assess additional income tax liabilities in respect of controlled transactions if during the review it is established that prices applied in such transactions differ from market prices. The risk of additional assessment will increase if the Bank fails to confirm the application of market prices in controlled transactions and provide the tax authorities with proper documentary evidence. However, it is impossible to determine the amount of potential claims from the tax authorities in connection with transfer pricing.

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.

(in thousands of Belarusian rubles)

32. Deferred financial commitments and contingencies, operating environment (continued)

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 fiduciary 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. Based on the results of 2021, the GDP of the Republic of Belarus grew by 2.3%. The industrial sector that demonstrated a 6.5% growth made key contributions to the growth of GDP (+1.6 p.p.).

Based on the results of 2021, a positive foreign trade balance increased by 98.7% year-on-year and totaled USD 3,772.1 million or 8.3% of the import volume, which had a positive impact on the strengthening of the national currency rate. In 2021, the currency basket strengthened by 3.0%, with the BYN/USD exchange rate increasing by 1.2%; the BYN/EUR exchange rate increased by 9.0%; and the BYN/RUB exchange rate increased by 1.6%.

In 2021, the average official exchange rate of the Belarusian ruble against foreign currencies calculated as an arithmetic mean value was BYN 2.5384 for USD 1; BYN 3.005 for EUR 1; BYN 3.4469 for RUB 100.

In 2021, the inflation accelerated. With the target value of less than 5%, consumer prices grew by 9.97% during the year. The growth in prices is due to both external factors (loosened monetary policy in a number of leading states, increase in logistics costs against a background of epidemiological constraints, growth in global prices for food products, surge in consumer demand on the back of insufficient supply) and internal factors (elimination of VAT exemptions for certain groups of imported goods, growth in fuel cost against rising oil prices, inflation and devaluation expectations).

In order to limit inflationary risks and strengthen control over cash supply, the National Bank of the Republic of Belarus increased the refinancing rate by 150 basis points in 2021 (from 7.75% to 9.25%). In accordance with the Republic of Belarus Monetary Policy Guidelines, the target inflation for 2022 was set at 6%, and the average annual refinancing rate was set within the range of 9-10%.

At the beginning of 2021, the credit and deposit market suffered an outflow of the resource base and, therefore, liquidity shortages. At the same time, the growth in rates and strengthening of the national currency rate contributed to stabilizing the situation. In December 2021, the average broad money supply grew by 6.6% from December 2020 with a reference growth indicator of 7-10%.

Given the high level of integration, the Belarusian economy is significantly impacted by the Russian Federation. In 2021, the Russian economy demonstrated recovery after the economic slowdown of 2020 amid the restrictive measures caused by the spread of COVID-19 and decline in global demand for energy resources.

The current sanctions imposed on the Russian Federation and the Republic of Belarus affect certain Belarusian business entities and individuals. At the same time, there are no legal grounds for application to Belgazprombank of any sanctions (both blocking and sectoral) either directly or under the 50% rule and for interpretation of any sanctions as restraining the financial and business activities of the Bank. Restrictions on some financial operations of GPB Bank (JSC) introduced by the USA (OFAC) and the EU are not applicable to Belgazprombank, as its ownership interest in the Bank is less than 50% (49.818%). The USA (OFAC) limitations on the extraction of mineral resources in hard-to-reach locations imposed on PJSC Gazprom, notwithstanding the fact that PJSC Gazprom's share in the Bank amounts to more than 50%, do not apply to the Bank, since its activities are not related to the extraction of mineral resources in hard-to-reach locations. The restricted access of Belarusian state financial institutions and other state organizations to EU capital markets introduced in 2021 is not applicable to the Bank, as the Bank is not a state organization and is not owned or controlled or by any means affiliated with the Republic of Belarus, its government and governmental bodies. Due to the fact that the principal customer segment of the Bank has traditionally been small and medium-sized businesses, the above restrictions do not have a material effect on the Bank's activities.

In 2021, the sovereign ratings of the Republic of Belarus assigned by international rating agencies remained unchanged: Moody's – "B3" with a negative outlook; Fitch Ratings – "B" with a negative outlook; Standard & Poor's – "B" with a negative outlook.

The Bank's rating assigned by the Fitch Ratings international rating agency was confirmed at the "B" level with a negative outlook.

(in thousands of Belarusian rubles)

33. 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 2021				
	Shareholders	***Companies under common control***	***Key management personnel***	***Total***	***Total for financial statements' items***
Interest income calculated using the effective interest rate method	22	822	159	**1,003**	**282,414**
Other interest income	–	–	–	**–**	**7,317**
Interest expenses	(23,375)	(12,096)	(116)	**(35,587)**	**(130,756)**
Charge of allowances for expected credit losses on financial assets	–	(256)	(15)	**(271)**	**(16,938)**
Net gain from foreign exchange operations	2,409	2,055	–	**4,464**	**32,415**
Net gain/(loss) from trading operations	(25)	22	–	**(3)**	**(7,896)**
Fee and commission income	–	1,673	2	**1,675**	**101,203**
Fee and commission expenses	(57)	(396)	–	**(453)**	**(23,349)**
Operating expenses	(23)	(53)	(5,011)	**(5,087)**	**(160,534)**
Salary and other personnel costs	–	–	*(4,138)*		
Social security and insurance contributions	–	–	*(873)*		

	For the 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)**
Charge of allowances for expected credit losses on financial assets	–	2	(10)	**(8)**	**(67,426)**
Net gain from foreign exchange operations	12,535	(25,344)	–	**(12,809)**	**53,246**
Net gain/(loss) from trading operations	(88)	3,291	–	**3,203**	**(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)*		

Remuneration of the key management personnel for the reporting periods ended 31 December 2021 and 31 December 2020 was represented by short-term remunerations.

(in thousands of Belarusian rubles)

33. Transactions with related parties (continued)

The statement of financial position as at 31 December 2021 and 31 December 2020 includes the following amounts of transactions between the Bank and the related parties:

	31 December 2021				
	Shareholders	***Companies under common control***	***Key management personnel***	***Total***	***Total for financial statements' items***
Assets					
Cash and cash equivalents	3,721	90,686	–	**94,407**	**705,508**
Including loss allowances	–	*(7)*	–	***(7)***	***(222)***
Derivative financial instruments, assets	–	22	–	**22**	**22**
Loans to customers	–	4	1,046	**1,050**	**2,425,097**
Including loss allowances	–	–	*(30)*	***(30)***	***(142,841)***
Other assets	–	447	–	**447**	**17,282**
Including allowances	–	*(6)*	–	***(6)***	***(1,281)***
Liabilities					
Derivative financial instruments, liabilities	25	–	–	**25**	**206**
Due to banks and other financial institutions	316,171	238,683	–	**554,854**	**786,127**
Due to customers	–	265,954	4,399	**270,353**	**1,977,193**
Term deposits	–	*259,043*	*3,930*	***262,973***	***1,320,736***
Current/settlement accounts and demand deposits	–	*6,911*	*469*	***7,380***	***656,457***
Other liabilities	1,321	119	2,003	**3,443**	**26,470**
Subordinated debt	174,702	–	–	**174,702**	**174,702**
Contingent financial liabilities	–	10,023	445	**10,468**	**559,532**

	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 allowances	–	–	*(15)*	***(15)***	***(184,751)***
Other assets	2	113	–	**115**	**23,434**
Including allowances	–	*(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**

As at 31 December 2021, the Bank recorded contingent financial claims to the related parties against the counter-guarantee in the amount of BYN 10,023 thousand.

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

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

(in thousands of Belarusian rubles)

33. Transactions with related parties (continued)

As at 31 December 2021, due to banks is represented by interbank loans in foreign currency with the average weighted contract rate of 3.88%.

As at 31 December 2020, due to banks is represented by interbank loans in foreign currency with the average weighted contract rate of 2.76%.

As at 31 December 2021, the average weighted contract rate on BYN-denominated customer deposits was 5.02% (31 December 2020: 15.72%), deposits denominated in foreign currencies – 1.97% (31 December 2020: 2.39%).

Additional information about terms and conditions of transactions with related parties is presented in Note 28.

34. Segment analysis

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

Operating segments of the Bank are as follows:

"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. These statements are based on the financial result and volume indicators 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 segment. All balance sheet accounts of the Bank are analyzed and segmented to form the balance by operating segment.

(in thousands of Belarusian rubles)

34. Segment analysis (continued)

Information on profit and loss by operating segment for the year ended 31 December 2021 is presented below:

	Year ended 31 December 2021	***Corporate Business***	***Retail Business***	***Investment and Banking Business***	***Unallocated amounts***
Interest income calculated using the effective interest rate method	282,414	171,117	89,189	22,108	–
Other interest income	7,317	1,562	–	5,755	–
Interest expenses	(130,756)	(36,260)	(40,778)	(53,578)	(140)
Net interest income	**158,975**	**136,419**	**48,411**	**(25,715)**	**(140)**
Charge of allowances for expected credit losses on financial assets	(16,938)	(12,700)	(4,462)	1,915	(1,691)
Net interest income after allowances for expected credit losses on financial assets	**142,037**	**123,719**	**43,949**	**(23,800)**	**(1,831)**
Gain/(loss) on initial recognition of financial instruments	(6,137)	(5,665)	–	–	(472)
Net (loss)/gain from investment securities at FVOCI reclassified to income statement	(582)	–	–	(582)	–
Net gain/(loss) from foreign exchange operations	32,415	15,924	10,468	5,840	183
Net gain/(loss) from trading operations	(7,896)	(1)	–	(7,895)	–
Fee and commission income	101,203	20,959	79,930	314	–
including:					
bank payment card operations	*69,338*	–	*69,338*	–	–
settlement and cash operations with clients	*29,638*	*19,488*	*10,000*	*150*	–
documentary operations	*1,556*	*1,448*	–	*108*	–
foreign currency operations	*128*	–	*128*	–	–
other	*543*	*23*	*464*	*56*	–
Fee and commission expenses	(23,349)	(1,418)	(21,514)	(415)	(2)
including:					
bank payment card operations	*(20,292)*	–	*(20,292)*	–	–
maintenance of bank accounts	*(1,326)*	*(1,146)*	*(74)*	*(104)*	*(2)*
foreign currency operations	*(333)*	–	*(98)*	*(235)*	–
payments accepted in favor of the bank	*(282)*	–	*(282)*	–	–
documentary operations	*(280)*	*(272)*	–	*(8)*	–
other	*(836)*	–	*(768)*	*(68)*	–
Net gain/(loss) on operations with precious metals	307	–	307	–	–
Recovery/(charge) of provisions for expected credit losses on contingent liabilities	243	185	58	–	–
Net profit arising from derecognition of financial assets measured at amortized cost	–	–	–	–	–
Other income	12,632	820	7,884	449	3,479
Net non-interest income	**108,836**	**30,804**	**77,133**	**(2,289)**	**3,188**
Net transfer income from operating segment	–	(51,893)	6,979	19,443	25,471
Operating income	**250,873**	**102,630**	**128,061**	**(6,646)**	**26,828**
Operating expenses	(160,534)	(57,744)	(83,928)	(5,229)	(13,633)
Profit before tax	**90,339**	**44,886**	**44,133**	**(11,875)**	**13,195**
Income tax expense	(12,905)	–	–	–	(12,905)
Net profit	**77,434**	**44,886**	**44,133**	**(11,875)**	**290**

(in thousands of Belarusian rubles)

34. Segment analysis (continued)

Information on profit and loss by operating segment for 2020 is presented below:

	Year ended 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)**
(Charge)/recovery of allowances for expected credit losses on financial assets	(67,426)	(53,358)	(13,260)	(1,643)	835
Net interest income after allowances for expected credit losses on financial assets	**113,950**	**90,391**	**48,844**	**(26,066)**	**781**
Net (loss)/gain from investment securities at FVOCI reclassified to income statement	(2,662)	–	–	(2,662)	–
Net gain/(loss) 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)*	–
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)	–	–
Charge of provisions for expected credit losses on contingent liabilities	(311)	(251)	(60)	–	–
Net profit arising from the derecognition of financial assets measured at amortized 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 transfer income from operating segment	–	(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 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**

(in thousands of Belarusian rubles)

34. Segment analysis (continued)

Information on assets and liabilities by operating segment as at 31 December 2021 and 31 December 2020 is presented below:

	31 December 2021	*Corporate Business*	*Retail Business*	*Investment and Banking Business*	*Unallocated amounts*
Assets	3,848,088	1,886,149	542,601	1,151,169	268,169
Liabilities	3,074,691	942,499	1,075,692	864,116	192,384

	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

Transactions with residents of the Republic of Belarus account for the largest part of revenue from transactions with customers.

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.

35. Fair value of financial instruments

For the purpose of fair value disclosures, the Bank determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy:

		Fair value measurement using			
As at 31 December 2021	***Valuation date***	***Level 1 inputs***	***Level 2 inputs***	***Level 3 inputs***	***Total***
Assets measured at fair value					
Precious metals	31 December 2021	324	–	–	**324**
Derivative financial assets	31 December 2021	–	22	–	**22**
Securities at fair value through profit and loss	31 December 2021	75,850	–	–	**75,850**
Investment securities − debt securities at FVOCI	31 December 2021	–	–	401,508	**401,508**
Investment securities − equity securities at FVOCI	31 December 2021	9,650	–	–	**9,650**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2021	705,508	–	–	**705,508**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	31 December 2021	–	–	25,841	**25,841**
Loans to customers	31 December 2021	–	–	2,425,097	**2,425,097**
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2021	–	206	–	**206**
Liabilities for which fair values are disclosed					
Loans from the National Bank of the Republic of Belarus	31 December 2021	–	–	74,891	**74,891**
Due to banks and other financial institutions	31 December 2021	–	–	786,127	**786,127**
Due to customers	31 December 2021	–	–	1,977,193	**1,977,193**
Debt securities issued	31 December 2021	–	–	32,162	**32,162**
Subordinated debt	31 December 2021	–	–	167,838	**167,838**

(in thousands of Belarusian rubles)

35. Fair value of financial instruments (continued)

		Fair value measurement using			
As at 31 December 2020	***Valuation date***	***Level 1 inputs***	***Level 2 inputs***	***Level 3 inputs***	***Total***
Assets measured at fair value					
Precious metals	31 December 2020	375	−	−	**375**
Derivative financial assets	31 December 2020	−	481	−	**481**
Securities at fair value through profit and loss	31 December 2020	89,314	−	−	**89,314**
Investment securities − debt securities at FVOCI	31 December 2020	−	364,356	−	**364,356**
Investment securities − equity securities at FVOCI	31 December 2020	9,702	−	−	**9,702**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2020	555,329	−	−	**555,329**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	31 December 2020	−	−	33,390	**33,390**
Loans to customers	31 December 2020	−	−	2,893,293	**2,893,293**
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2020	−	641	−	**641**
Liabilities for which fair values are disclosed					
Loans from the National Bank of the Republic of Belarus	31 December 2020	−	−	398,000	**398,000**
Due to banks and other financial institutions	31 December 2020	−	−	835,192	**835,192**
Due to customers	31 December 2020	−	−	1,927,956	**1,927,956**
Debt securities issued	31 December 2020	−	−	74,859	**74,859**
Subordinated debt	31 December 2020	−	−	177,917	**177,917**

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.

With respect to derivative financial assets and liabilities related to Level 2 of the fair value hierarchy, the following valuation techniques and key inputs are used:

- Discounted cash flows are applied to foreign currency derivative contracts. Future cash flows are measured using the interest rate parity model. The rates used are rates for short-term interbank placements denominated in the corresponding currency and having the corresponding maturity;
- The net result between the fair value of the claim to receive cash flows/securities and obligation to deliver/refund securities/pay cash is applied to derivative contracts with securities. Quoted bid prices in an active market are assumed to be the fair value of a claim/obligation with respect to securities. The cash flow calculated on the basis of the duration and conditions of the contract is assumed to be the fair value of a claim/obligation to receive/deliver cash.

The financial assets and liabilities presented below are classified by the Bank within Level 3 of the fair value hierarchy.

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 amount 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 amount.

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 amount.

(in thousands of Belarusian rubles)

35. Fair value of financial instruments (continued)

Investment securities

Debt investment securities issued in Belarusian rubles are measured at fair value with the use of observable data on the organized market: value of purchase and sale transactions for similar debt securities with a similar risk level, maturity and currency.

The fair value of debt investment securities that do not have an active market and for which, therefore, it is difficult to determine market quotations, is based on certain Level 3 valuation techniques disclosed below.

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 amount.

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 amount.

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 amount.

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 amount.

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 amount.

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 amount of subordinated debt and their fair value:

	Level of the fair value hierarchy	*31 December 2021*		*31 December 2020*	
		Carrying amount	*Fair value*	*Carrying amount*	*Fair value*
Subordinated debt	Level 3	174,702	167,838	177,497	177,917

Movements in Level 3 assets and liabilities measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 assets and liabilities that are recorded at fair value:

	Investment securities – debt securities at FVOCI
Financial assets	
As at 31 December 2020	**–**
Total gain/(loss) recorded in profit and loss	2,716
Total gain/(loss) recorded in other comprehensive income	(31,605)
Purchases	–
Sales	–
Transfer from Level 1	–
Transfer from Level 2	430,397
As at 31 December 2021	**401,508**

(in thousands of Belarusian rubles)

35. Fair value of financial instruments (continued)

Movements in Level 3 assets and liabilities measured at fair value (continued)

On 31 December 2021, the Bank transferred investment securities measured through other comprehensive income from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the transferred assets totaled BYN 401,508 thousand. The transfer from Level 2 to Level 3 was due to the fact that inputs used in valuation models ceased to be observable on the market. Prior to the transfer, the fair value of financial instruments was determined based on observable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these financial instruments have been valued using valuation models that incorporate significant unobservable inputs.

Gains or losses from Level 3 financial instruments included in other comprehensive income for the year comprise:

	2021			*2020*		
	Realized gain/(loss)	***Unrealized gain/(loss)***	***Total***	***Realized gain/(loss)***	***Unrealized gain/(loss)***	***Total***
Total gains or losses recorded in other comprehensive income for the period	–	(31,605)	**(31,605)**	–	–	**–**

Significant unobservable inputs and sensitivity of Level 3 financial instruments measured at fair value to changes in key assumptions

The following table shows the quantitative information about significant unobservable inputs used in the fair value measurement categorized within Level 3 of the fair value hierarchy:

As at 31 December 2021	***Carrying amount***	***Valuation technique***	***Unobservable inputs***	***Range (weighted average value)***
Investment securities at FVOCI				
Debt securities	401,508	Discounting method on the basis of observable market rates, which are adjusted for unobservable rates	Discount rate	5.447-9.330

To calculate the discount rate for securities, the Bank used the observable yield on similar securities adjusted for the tax effect. The adjustment based on the same market rates with duration comparable to the duration of measured securities was additionally applied to securities denominated in euros.

The following table shows the effect of reasonably possible alternative assumptions on the fair value of Level 3 instruments:

	As at 31 December 2021		***As at 31 December 2020***	
	Carrying amount	***Effect of reasonably possible alternative assumptions***	***Carrying amount***	***Effect of reasonably possible alternative assumptions***
Financial assets				
Investment securities	401,508	From 0 to (34,199)	–	–

(in thousands of Belarusian rubles)

36. 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 2021	*31 December 2020*
Composition of regulatory capital		
Tier 1 capital		
Share capital	535,944	535,944
Retained earnings	247,783	170,349
Total Tier 1 capital	**783,727**	**706,293**
Subordinated debt	38,585	39,202
Investment securities revaluation reserve	(10,330)	20,732
Total regulatory capital	**811,982**	**766,227**
Risk-weighted assets	4,067,475	4,458,359
Capital adequacy ratios		
Tier 1 capital	19%	16%
Total capital	20%	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% (7% taking into account the conservation buffer; 7% taking into account the conservation and countercyclical[1] buffers; 8.5% taking into account the conservation, countercyclical and systemic importance buffers);
- Ratio of Tier 1 capital to risk-weighted assets – 8.5%;
- Ratio of regulatory capital of the Bank to risk-weighted assets – 10% (12.5% taking into account the conservation buffer).

As at 31 December 2021 and 31 December 2020, the Bank ensured compliance with all external regulatory requirements in relation to capital.

37. 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).

[1] *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 at 31 December 2021 and during the reporting year, this value was set at 0%.*

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

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, the Assets and Liabilities Management Committee, the Restructuring Committee make decisions on operations exposed to risks within the authority delegated by the Management Board.

The 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. The 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 2021 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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Risk assessment and reporting systems (continued)

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 the 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 the 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, the Risk Committee of the Board of Directors, the 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 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, the Risk Committee of the Board of Directors, the 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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

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.

Maximum credit risk exposure

For financial assets recognized in the statement of financial position the maximum exposure to credit risk equals to a carrying amount 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 2021	***31 December 2020***
Cash and cash equivalents (excluding cash on hand)	627,617	467,034
Securities at fair value through profit and loss	75,850	89,314
Derivative financial instruments	22	481
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	25,841	33,390
Loans to customers	2,425,097	2,893,293
Investment securities (excluding equity investments)	401,508	364,356
Other financial assets	12,152	16,775
Financial guarantees issued and similar commitments	13,813	63,607
Letters of credit not covered by cash	4,958	12,968
Total	**3,586,858**	**3,941,218**

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 judgment 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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

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 or other factors indicating an increase in credit risk (with the respective decision of the Bank's authorized body that other factors may affect the quality of serving the debt to be repaid to the Bank);
- 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.

As at 31 December 2021, 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 allowances for expected credit losses by BYN 2,624 thousand or 2.0%.

As at 31 December 2020, 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 allowances for expected credit losses by BYN 4,287 thousand or 2.5%.

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;
- Designation of a counterparty bank as an "E" group bank based on the rating of one of the international rating agencies;
- Restructuring of the debt under a financial asset related to a deteriorated financial position of the debtor (recognized in case of the respective decision of the Bank's authorized body or provided the original contractual terms have been modified more than twice);
- 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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

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

The decision whether it is necessary to designate financial assets as POCI assets is made in the following cases:

- Origination of a new financial asset issued by the Bank as part of a credit-impaired asset restructuring;
- Origination of a financial asset on derecognition of a credit-impaired financial asset due to a significant modification of original terms;
- Purchase of a financial asset with indication of impairment.

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.

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

- Based on 12-month ECL (12-month ECL are the portion of the lifetime ECL 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 ECL in case of a significant increase in credit risk for the instrument since its initial recognition, as well as in case of its impairment or recognition as a POCI asset.

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-month ECL 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 ECL 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-month 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 ECL are calculated);
- POCI assets – "Assets impaired at initial recognition."

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). POCI assets cannot migrate to other Stages.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

While estimating expected credit losses as at 31 December 2021, the analysis of the impact on the financial indicators of the implementation of Decree No. 159 of the President of the Republic of Belarus *On the Recalculation of the Value of Assets and Liabilities* (hereinafter, Decree No. 159) by corporate clients was carried out. Decree No. 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 and imposition of international sanctions against certain entities and industries of the Republic of Belarus, as at 31 December 2021, the financial assets of the clients that took advantage of Decree No. 159 and the implementation of which effected their financial indicators significantly, were assigned to Stage 2. These changes caused the increase in allowances for expected credit losses by BYN 1,246 thousand, or 1.0%.

Measurement of ECL

Allowances for expected credit losses are calculated based on the following variables:

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

POCI assets at initial recognition do not have an allowance for impairment. Subsequently, expected credit losses on POCI assets are measured at an amount equal to lifetime expected credit losses taking into account the effective interest rate adjusted for credit risk. The amount of the allowance recognized is equal to the difference between the present value of cash flows including credit losses calculated as at the date of measurement and the present value of cash flows including credit losses calculated upon the recognition of POCI assets.

Loss given default (LGD) is determined on an individual basis for each POCI asset taking into account the probability of the debtor's fulfillment of obligations and assessment of possible recoverability when the debtor's collateral is realized.

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 contingencies (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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

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 based on credit debt quality categories.

The 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 judgment as to whether a low credit rating for a financial asset can be recognized;
- Forming professional judgment as to a rebuttable assumption of a 30-day delay;
- Application of professional judgment 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 an allowance according to the ECL model.

Probability of default

The annual PD is determined based on debtor 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 compatibility table:

Risk class	*Debtor's internal rating*	*Group by overdue period (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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

Internal rating model

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

	12-month ECL	***Lifetime ECL on assets that are not credit-impaired***	***Lifetime ECL on credit-impaired assets***	***POCI assets***	***31 December 2021***
Loans to corporate customers					
Bank's risk-class of A	961	–	–	–	**961**
Bank's risk-class of B	319,507	144,851	–	–	**464,358**
Bank's risk-class of C	130,571	779,259	–	–	**909,830**
Bank's risk-class of E	10,029	254,967	–	–	**264,996**
Bank's risk-class of D	–	–	217,746	5,512	**223,258**
Not rated	117,219	22,336	4,222	–	**143,777**
Net investments in finance lease, corporate customers					
Bank's risk-class of B	67	–	–	–	**67**
Bank's risk-class of C	20	1,307	–	–	**1,327**
Bank's risk-class of E	–	1,640	–	–	**1,640**
Bank's risk-class of D	–	–	1,025	–	**1,025**
Not rated	6	–	–	–	**6**
Total loans to corporate customers	**578,380**	**1,204,360**	**222,993**	**5,512**	**2,011,245**
Less allowances for losses	(1,742)	(17,332)	(108,517)	(207)	**(127,798)**
Total loans to corporate customers	**576,638**	**1,187,028**	**114,476**	**5,305**	**1,883,447**

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

	12-month ECL	*Lifetime ECL on assets that are not credit-impaired*	*Lifetime ECL on credit-impaired assets*	*POCI assets*	*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	723,520	–	–	**971,829**
Bank's risk-class of E	33,066	528,196	–	–	**561,262**
Bank's risk-class of D	–	–	263,709	–	**263,709**
Not rated	173,851	32,112	5,542	–	**211,505**
Net investments in finance lease, corporate customers					
Bank's risk-class of B	1,963	–	–	–	**1,963**
Bank's risk-class of C	34	8,606	–	–	**8,640**
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	**731,568**	**1,438,396**	**271,272**	**–**	**2,441,236**
Less allowances for losses	(3,227)	(43,705)	(122,525)	–	**(169,457)**
Total loans to corporate customers	**728,341**	**1,394,691**	**148,747**	**–**	**2,271,779**

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

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*Total as at 31 December 2021*
Financial guarantees				
Bank's risk-class of A	34	–	–	**34**
Bank's risk-class of B	10,657	840	–	**11,497**
Bank's risk-class of C	855	641	–	**1,496**
Bank's risk-class of E	202	–	–	**202**
Not rated	607	–	–	**607**
Total financial guarantees	**12,355**	**1,481**	**–**	**13,836**
Less provisions for losses	(18)	(5)	–	**(23)**
Total financial guarantees less provisions	**12,337**	**1,476**	**–**	**13,813**
Commitments on loans and unused credit lines				
Bank's risk-class of A	185,029	435	–	**185,464**
Bank's risk-class of B	58,470	48,894	–	**107,364**
Bank's risk-class of C	22,569	124,127	–	**146,696**
Bank's risk-class of E	581	2,601	–	**3,182**
Bank's risk-class of D	–	–	113	**113**
Not rated	22,379	433	25	**22,837**
Total commitments on loans and unused credit lines	**289,028**	**176,490**	**138**	**465,656**
Less provisions for losses	(614)	(623)	–	**(1,237)**
Total commitments on loans and unused credit lines less provisions	**288,414**	**175,867**	**138**	**464,419**
Letters of credit, not covered				
Bank's risk-class of C	–	4,989	–	**4,989**
Total letters of credit, not covered	**–**	**4,989**	**–**	**4,989**
Less provisions for losses	–	(31)	–	**(31)**
Total letters of credit, not covered less provisions	**–**	**4,958**	**–**	**4,958**

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

	Stage 1 (12-month ECL)	*Stage 2 (lifetime ECL on assets that are not credit-impaired)*	*Stage 3 (lifetime ECL on credit-impaired assets)*	*Total as at 31 December 2020*
Financial guarantees				
Bank's risk-class of A	866	–	–	**866**
Bank's risk-class of B	8,693	–	–	**8,693**
Bank's risk-class of C	2,951	49,474	–	**52,425**
Bank's risk-class of E	–	1,471	–	**1,471**
Not rated	152	–	–	**152**
Total financial guarantees	**12,662**	**50,945**	**–**	**63,607**
Less provisions for losses	(181)	(205)	–	**(386)**
Total financial guarantees less provisions	**12,481**	**50,740**	**–**	**63,221**
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 provisions for losses	(926)	(330)	–	**(1,256)**
Total commitments on loans and unused credit lines less provisions	**315,283**	**86,248**	**125**	**401,656**
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 provisions for losses	(442)	(121)	–	**(563)**
Total letters of credit, not covered less provisions	**6,752**	**6,216**	**–**	**12,968**

Loss given default

Loss given default (LGD) is measured taking into account the expected cash compensation and compensation through the available collateral. 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. With respect to Stage 1 and Stage 2 financial assets, the expected cash compensation is applied in the amount calculated based on the statistics of compensation by customers in default for less than 1 year. With respect to Stage 3 financial assets, the cash compensation is calculated based on the statistics of compensation by customers in default for the corresponding number of years (LDG is taken in the amount of 100% for customers in default for a period of more than 4 years).

Due from financial institutions

For banks that have been assigned an international rating, the classification is based on such rating. The information on international ratings and respective probability of default received from external official sources is used. 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.

As at 31 December 2021, the PD corresponding to the pre-default rating was applied to the financial institutions assigned to Stage 2. If the contract does not specify the expected lifetime of the financial instrument the 18-month PD obtained by extrapolating the annual PD is used.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

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

	12-month ECL	*31 December 2021*	*12-month ECL*	*31 December 2020*
International rating of AA+	2,547	2,547	18,346	18,346
International rating of AA-	–	–	45	45
International rating of A+	119,608	119,608	14,123	14,123
International rating of A	2,375	2,375	1,464	1,464
International rating of A-	3,800	3,800	36,137	36,137
International rating of BBB+	702	702	279	279
International rating of BBB-	57,046	57,046	2,691	2,691
International rating of BB+	267	267	21,773	21,773
International rating of B	392,248	392,248	349,208	349,208
International rating of B-	49,246	49,246	22,968	22,968
	627,839	**627,839**	**467,034**	**467,034**
Less allowances for losses	(222)	(222)	–	–
Total cash equivalents	**627,617**	**627,617**	**467,034**	**467,034**

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

	12-month ECL	*Lifetime ECL on assets that are not credit-impaired*	*31 December 2021*	*12-month ECL*	*31 December 2020*
International rating of AA	4,924	–	4,924	10,137	10,137
International rating of A	127	–	127	129	129
International rating of B	20,765	–	20,765	23,027	23,027
International rating of CCC-	–	100	100	–	200
	25,816	**100**	**25,916**	**33,293**	**33,493**
Less allowances for losses	(24)	(51)	(75)	(5)	(103)
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	**25,792**	**49**	**25,841**	**33,288**	**33,390**

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 S&P international agency, the most current rating of other international agencies, reduced to the rating of the S&P international agency according to the table of compliance, is used.

In order to interpolate the annual indicator of probability of default on debt securities of financial institutions and sovereign organizations, the Bank uses turnover factors for the year on the respective securities issues.

In order to calculate the loss given default (LGD), the Bank uses information on unfulfilled obligations after default on principal, debt securities of financial institutions and sovereign organizations received from external official sources and available as at the date of calculation.

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

	12-month ECL	*31 December 2021*	*12-month ECL*	*31 December 2020*
International rating of B	401,508	401,508	364,356	364,356
Total debt investments securities measured at FVOCI	**401,508**	**401,508**	**364,356**	**364,356**
Loss allowances*	(10,096)	(10,096)	(12,812)	(12,812)

* *Debt investment securities at FVOCI are stated at fair value, while the loss allowance is recognized in other comprehensive income.*

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

Other financial assets

The Bank assesses the probability of non-recovery under other financial assets and calculates expected credit losses by means of allowance matrices representing the ratio of the relevant receivables amount with the overdue period of +360 to outstanding receivables balances (outstanding receivables balances migrated to the following group of overdue amounts) broken down by age and homogeneous characteristics of portfolios. The Bank applies the allowance matrices in the valuation of receivables, as well as accrued commission revenues and penalties.

The statute of limitations of the analyzed data for the calculation of allowance matrices 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 at 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.

As at 31 December 2021, the key factors include:

- For loans to corporate customers and amounts due from financial institutions: projections on GDP growth rate and change in BRENT oil prices;
- For loans to individuals: projections on the real salary growth rate.

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 growth rate of GDP and BRENT oil price with respect to legal entities and the real salary growth rate with respect to individuals used as at 31 December 2021 included the following values for the Republic of Belarus:

	Value, %	***Scenario, %***
GDP growth rate for 2022	-2.0	Negative, 20
	0.7	Basic, 50
	2.9	Optimistic, 30
	Value, USD	***Scenario, %***
BRENT oil price level for 2022	65.0	Negative, 20
	75.0	Basic, 50
	78.9	Optimistic, 30
	Value, %	***Scenario, %***
Real salary growth rate for 2022	0.0	Negative, 20
	2.0	Basic, 50
	3.0	Optimistic, 30

Predicted relationships between the key indicator and default and loss rates on various portfolios of financial assets have been developed based on analyzing 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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

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 assessment of expected credit losses on loans to customers, didn't affect significantly the allowance for expected credit losses as at 31 December 2021 and 31 December 2020. The amount of macroeconomic adjustment as at 31 December 2021 was 1.11 for loans to individuals and 1.01 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 18.

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.

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 32). 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 2021 Total*
Financial assets					
Cash and cash equivalents	519,130	57,331	127,920	1,127	**705,508**
Securities at fair value through profit and loss	75,850	–	–	–	**75,850**
Derivative financial instruments, assets	–	22	–	–	**22**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	20,790	–	4,924	127	**25,841**
Loans to customers	2,424,948	1	–	148	**2,425,097**
Investment securities	402,396	–	9,654	–	**412,050**
Other financial assets	10,449	355	1,348	–	**12,152**
Total financial assets	**3,453,563**	**57,709**	**143,846**	**1,402**	**3,656,520**
Financial liabilities					
Derivative financial instruments, liabilities	181	25	–	–	**206**
Loans from the National Bank of the Republic of Belarus	74,891	–	–	–	**74,891**
Due to banks and other financial institutions	186,451	542,455	57,221	–	**786,127**
Due to customers	1,926,766	26,686	21,947	1,794	**1,977,193**
Debt securities issued	32,162	–	–	–	**32,162**
Other financial liabilities	12,056	1,512	1,328	31	**14,927**
Subordinated debt	–	174,702	–	–	**174,702**
Total financial liabilities	**2,232,507**	**745,380**	**80,496**	**1,825**	**3,060,208**
Open position	**1,221,056**	**(687,671)**	**63,350**	**(423)**	

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

	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 and 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)**	

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). During 2021, the Bank unconditionally complied with liquidity ratios.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Liquidity risk (continued)

Based on the results of activities for recovering liquidity, in 2021, the Bank repaid the loans from the National Bank of the Republic of Belarus that were issued to mitigate the consequences of an outflow of amounts due to customers with the Bank's reputational risk realized in 2020.

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).

Financial liabilities	*Up to 1 month*	*1-3 months*	*3 months – 1 year*	*1 year – 5 years*	*More than 5 years*	*31 December 2021*
Interest bearing financial liabilities						
Loans from the National Bank of the Republic of Belarus	(47,873)	–	(28,272)	–	–	**(76,145)**
Due to banks and other financial institutions	(46,445)	(179,773)	(301,807)	(218,118)	(17,390)	**(763,533)**
Due to customers	(622,196)	(196,244)	(496,890)	(364,609)	(37,025)	**(1,716,964)**
Debt securities issued	(2,528)	(100)	(2,506)	(22,792)	–	**(27,926)**
Subordinated debt	(4,556)	–	(6,980)	(175,744)	–	**(187,280)**
Total interest bearing financial liabilities	**(723,598)**	**(376,117)**	**(836,455)**	**(781,263)**	**(54,415)**	**(2,771,848)**
Non-interest bearing financial liabilities						
Due to banks and other financial institutions	(66,692)	–	(6,668)	–	–	**(73,360)**
Due to customers	(323,612)	(159)	(1,307)	(477)	–	**(325,555)**
Debt securities issued	(5,175)	–	–	–	–	**(5,175)**
Other financial liabilities	(12,658)	(211)	(747)	(1,000)	(311)	**(14,927)**
Financial guarantees and similar liabilities	(13,029)	–	–	–	–	**(13,029)**
Letters of credit not covered by cash	(4,958)	–	–	–	–	**(4,958)**
Loan commitments	(464,419)	–	–	–	–	**(464,419)**
Total non-interest bearing financial liabilities	**(890,543)**	**(370)**	**(8,722)**	**(1,477)**	**(311)**	**(901,423)**
Total financial liabilities	**(1,614,141)**	**(376,487)**	**(845,177)**	**(782,740)**	**(54,726)**	**(3,673,271)**
Derivative financial liabilities						
Inflow	5,417	–	2,255	–	–	**7,672**
Outflow	(5,416)	–	(2,255)	–	–	**(7,671)**
Total net cash flows from derivatives	**1**	**–**	**–**	**–**	**–**	**1**

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Liquidity risk (continued)

Financial liabilities	*Up to 1 month*	*1-3 months*	*3 months – 1 year*	*1 year – 5 years*	*More than 5 years*	*31 December 2020*
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 liabilities	(63,221)	–	–	–	–	**(63,221)**
Letters of credit not covered by cash	–	–	–	(12,968)	–	**(12,968)**
Loan commitments	(401,656)	–	–	–	–	**(401,656)**
Total non-interest bearing financial liabilities	**(757,416)**	**(224)**	**(7,721)**	**14,274**	**(630)**	**(780,265)**
Total financial liabilities	**(1,682,836)**	**(664,614)**	**(738,419)**	**(880,937)**	**(42,643)**	**(4,009,449)**
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)**

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Liquidity risk (continued)

The following table presents an analysis of liquidity risk based on carrying amounts 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 – 5 years*	*More than 5 years*	*Past due*	*Without maturity*	*31 December 2021*
Financial assets								
Cash and cash equivalents	676,682	28,826	–	–	–	–	–	**705,508**
Securities at fair value through profit and loss	75,850	–	–	–	–	–	–	**75,850**
Derivative financial instruments, assets	22	–	–	–	–	–	–	**22**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	–	–	1	–	–	–	25,840	**25,841**
Loans to customers	86,769	290,080	636,384	1,040,105	353,815	17,944	–	**2,425,097**
Investment securities	2,719	2,579	20,374	284,364	91,472	–	10,542	**412,050**
Other financial assets	11,813	–	–	–	–	331	8	**12,152**
Total financial assets	**853,855**	**321,485**	**656,759**	**1,324,469**	**445,287**	**18,275**	**36,390**	**3,656,520**
Financial liabilities								
Derivative financial instruments, liabilities	31	–	175	–	–	–	–	**206**
Loans from the National Bank of the Republic of Belarus	47,743	–	27,148	–	–	–	–	**74,891**
Due to banks and other financial institutions	112,993	175,949	291,549	191,440	14,196	–	–	**786,127**
Due to customers	724,223	190,032	479,728	332,575	33,605	–	217,030	**1,977,193**
Debt securities issued	7,704	–	2,112	22,346	–	–	–	**32,162**
Other financial liabilities	11,868	211	747	1,000	311	–	790	**14,927**
Subordinated debt	4,556	–	–	170,146	–	–	–	**174,702**
Total financial liabilities	**909,118**	**366,192**	**801,459**	**717,507**	**48,112**	**–**	**217,820**	**3,060,208**
Gap between assets and liabilities	**(55,263)**	**(44,707)**	**(144,700)**	**606,962**	**397,175**			
Cumulative gap between assets and liabilities	(55,263)	(99,970)	(244,670)	362,292	759,467			
Cumulative gap between assets and liabilities as a percentage of total financial assets	-1.5%	-2.7%	-6.7%	9.9%	20.8%			

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Liquidity risk (continued)

	Up to 1 month	*1-3 months*	*3 months – 1 year*	*1 year – 5 years*	*More than 5 years*	*Past due*	*Without maturity*	*31 December 2020*
Financial assets								
Cash and cash equivalents	555,329	–	–	–	–	–	–	**555,329**
Securities at fair value through profit and 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**
Gap between assets and liabilities	**(115,691)**	**(286,091)**	**(213,573)**	**525,814**	**880,516**			
Cumulative gap between assets and liabilities	(115,691)	(401,782)	(615,355)	(89,541)	790,975			
Cumulative gap between assets and liabilities as a percentage of total financial assets	-2.9%	-10.1%	-15.5%	-2.3%	20.0%			

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

Securities at fair value through profit and loss – the expected period of sale of the securities at fair value through profit and loss reported as at 31 December 2021 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 2021 and 31 December 2020:

	Up to 1 month	*1-3 months*	*3 months – 1 year*	*1 year – 5 years*	*More than 5 years*	*Past due*	*Without maturity*	*31 December 2021 Total*
Securities at fair value through profit and loss	–	333	672	59,284	15,561	–	–	**75,850**
Due to customers	940,150	190,032	479,728	332,575	33,605	–	1,103	**1,977,193**
Gap between assets and liabilities within contractual periods of repayment	(271,190)	(44,707)	(143,891)	606,153	397,175			
Cumulative gap between assets and liabilities	(271,190)	(315,897)	(459,788)	146,365	543,540			

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Liquidity risk (continued)

	Up to 1 month	*1-3 months*	*3 months – 1 year*	*1 year – 5 years*	*More than 5 years*	*Past due*	*Without maturity*	*31 December 2020 Total*
Securities at fair value through profit and loss	–	337	680	88,297	–	–	–	**89,314**
Due to customers	905,900	261,201	492,375	251,224	17,256	–	–	**1,927,956**
Gap between assets and liabilities within contractual periods of repayment	(512,342)	(285,754)	(212,893)	614,111	880,516			
Cumulative gap between assets and liabilities	(512,342)	(798,096)	(1,010,989)	(396,878)	483,638			

The following table presents the information on the Bank's contingent liabilities:

	Up to 1 month	*1-3 months*	*3 months – 1 year*	*1 year – 5 years*	*More than 5 years*	*Past due*	*Without maturity*	*Total*
31 December 2021	282,179	–	–	–	–	–	200,227	**482,406**
31 December 2020	175,842	–	–	12,968	–	–	310,857	**499,667**

Contingent liabilities – the Bank's liquidity risk management includes estimation of the minimum balance of revolving liabilities on loans, which is determined using statistical methods based on historical data of fluctuations in undrawn loan balances during 365 days before the reporting date, thus, such minimum balances are included in the "Without maturity" category.

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 and 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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Market risk (continued)

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 2021		*31 December 2020*	
	Interest rate / discount rate 1%	***Interest rate / discount rate -1%***	***Interest rate / discount rate 1%***	***Interest rate / discount rate -1%***
Effect on profit before tax				
Assets				
Cash and cash equivalents	1,475	(1,475)	995	(995)
Securities at fair value through profit and loss	(1,944)	1,944	(3,117)	3,117
including:				
effect on net interest income	–	–	10	(10)
effect on fair value	(1,944)	1,944	(3,127)	3,127
Derivative financial instruments, assets, impact on fair value of discount rate change	(1)	1	(1)	1
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	–	–	–	–
Loans to customers	21,008	(21,008)	22,477	(22,477)
Investment securities	124	(124)	121	(121)
Liabilities				
Derivative financial instruments, liabilities, impact on fair value of discount rate change	7	(7)	52	(52)
Loans from the National Bank of the Republic of Belarus	(605)	605	(3,816)	3,816
Due to banks and other financial institutions	(3,888)	3,888	(5,104)	5,104
Due to customers	(9,775)	9,775	(10,220)	10,220
Debt securities issued	(82)	82	(408)	408
Effect on profit before tax	**6,319**	**(6,319)**	**979**	**(979)**
Effect on other comprehensive income				
Investment securities, impact on fair value of discount rate change	(15,203)	15,940	(14,095)	13,803
Effect on comprehensive income after tax	(10,283)	11,020	(13,042)	12,750

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Market risk (continued)

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, revalued weighted bullions, revalued 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, revalued weighted bullions, revalued coins.

The Assets and Liabilities 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's exposure to currency risk is as follows:

	BYN	*USD USD 1 = BYN 2.5481*	*EUR EUR 1 = BYN 2.8826*	*RUB RUB 1 = BYN 0.034322*	*Other currencies*	*31 December 2021 Total*
Financial assets						
Cash and cash equivalents	328,412	210,108	87,127	75,757	4,104	**705,508**
Securities at fair value through profit and loss	–	75,850	–	–	–	**75,850**
Derivative financial instruments, assets	22	–	–	–	–	**22**
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	20,790	5,051	–	–	–	**25,841**
Loans to customers	1,102,360	453,924	657,479	211,334	–	**2,425,097**
Investment securities	18,573	241,935	151,542	–	–	**412,050**
Other financial assets	10,034	725	1,060	332	1	**12,152**
Total financial assets	**1,480,191**	**987,593**	**897,208**	**287,423**	**4,105**	**3,656,520**
Financial liabilities						
Derivative financial instruments, liabilities	206	–	–	–	–	**206**
Loans from the National Bank of the Republic of Belarus	74,891	–	–	–	–	**74,891**
Due to banks and other financial institutions	98,155	89,647	552,551	45,774	–	**786,127**
Due to customers	640,530	923,504	318,043	88,427	6,689	**1,977,193**
Debt securities issued	7,707	13,676	10,779	–	–	**32,162**
Other financial liabilities	6,867	3,433	2,767	1,858	2	**14,927**
Subordinated debt	–	–	–	174,702	–	**174,702**
Total financial liabilities	**828,356**	**1,030,260**	**884,140**	**310,761**	**6,691**	**3,060,208**
Currency position	**651,835**	**(42,667)**	**13,068**	**(23,338)**	**(2,586)**	

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 with foreign currency.

	BYN	*USD USD 1 = BYN 2.5481*	*EUR EUR 1 = BYN 2.8826*	*RUB RUB 1 = BYN 0.034322*	*Other currencies*	*31 December 2021 Total*
Claims on derivative financial instruments and spot contracts	–	–	–	2,576	3,198	**5,774**
Liabilities on derivative financial instruments and spot contracts	–	5,746	–	–	–	**5,746**
Net position for derivative financial instruments and spot contracts	**–**	**(5,746)**	**–**	**2,576**	**3,198**	**28**
Total currency position	**651,835**	**(48,413)**	**13,068**	**(20,762)**	**612**	**596,340**

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Market risk (continued)

	BYN	*USD USD 1 = BYN 2.5789*	*EUR EUR 1 = BYN 3.1680*	*RUB RUB 1 = BYN 0.034871*	*Other currencies*	*31 December 2020 Total*
Financial assets						
Cash and cash equivalents	272,670	204,603	49,946	24,971	3,139	**555,329**
Securities at fair value through profit and 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 with foreign currency.

	BYN	*USD USD 1 = BYN 2.5789*	*EUR EUR 1 = BYN 3.1680*	*RUB RUB 1 = 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 position for derivative financial instruments and spot contracts	**–**	**218,526**	**(101,376)**	**(117,134)**	**–**	**16**
Total currency position	**621,391**	**(36,283)**	**(25,228)**	**(26,519)**	**2,117**	**535,478**

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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Market risk (continued)

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 2021 and 31 December 2020. 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 2021		*As at 31 December 2020*	
	BYN/USD 10.0%	***BYN/USD -1.0%***	***BYN/USD 10.0%***	***BYN/USD -1.0%***
Effect on profit before tax	(4,842)	484	(3,629)	363
Effect on comprehensive income after tax	(3,632)	363	(2,722)	272

	As at 31 December 2021		*As at 31 December 2020*	
	BYN/EUR 10.0%	***BYN/EUR -1.0%***	***BYN/EUR 10.0%***	***BYN/EUR -1.0%***
Effect on profit before tax	1,307	(131)	(2,524)	253
Effect on comprehensive income after tax	980	(98)	(1,893)	190

	As at 31 December 2021		*As at 31 December 2020*	
	BYN/RUB 10.0%	***BYN/RUB -1.0%***	***BYN/RUB 10.0%***	***BYN/RUB -1.0%***
Effect on profit before tax	(2,077)	207	(2,637)	264
Effect on comprehensive income after tax	(1,558)	155	(1,978)	198

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.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Operational risk (continued)

The Bank performs assessment of operational risk to analyze operational risk condition and make correct management decisions. When calculating the Bank's capital adequacy, operational risk is determined in accordance with the basic indicative approach.

Proactive methods of operational risk management in the Bank include maintaining an operational risks register, using key operational risk indicators system, developing scenarios and implementing procedures of operational risk escalation as well as performing self-assessment procedures.

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

38. Events after the reporting date

There are no adjusting events after the reporting date which are not recorded in these financial statements. There were no other significant events after the reporting date.