CJSC "TC Bank"
Consolidated financial statements prepared in accordance with International Financial Reporting Standards

for 2020
with independent auditors' report

Contents

Our. ref. № 05-01/69 of May 21, 2021

INDEPENDENT AUDITORS' REPORT

To the shareholders, Supervisory Board and Management Board

of Closed joint-stock company "TC Bank"

Opinion

We have audited the consolidated financial statements of Closed joint-stock company "TC Bank" ("Group" thereafter), which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS thereafter).

Basis for opinion

We conducted our audit in accordance with the Law of the Republic of Belarus of July 12, 2013 "On Auditing Activities" and the National Regulations on Auditing Activities, International Standards on Auditing ("ISAs" thereafter). Our responsibilities under those standards are further described in the section "Auditor's responsibilities for the audit of the consolidated financial statements" of this auditor's report.

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code" thereafter), and the ethical requirements applicable to our audit of financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the restriction of the licensing authority of CJSC "TC Bank", as well as on the external circumstances that affect the activities of "TC Bank" CJSC, described in Note 2 to the consolidated financial statements. We do not express a modified audit opinion in connection with these matters.

Key audit matters of financial statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the current period. The below matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Allowance for expected credit losses on amounts from financial institutions and the National Bank of the Republic of Belarus, securitized loans and loans to customers in accordance with IFRS 9 "Financial Instruments".

We focused on this matter due to significance of amounts from financial institutions and the National Bank of the Republic of Belarus and loans to customers and significance of professional judgement and estimates required for calculation of expected credit losses in according with IFRS 9 "Financial Instruments".

The identification of impairment, significant increase in credit risk, determination of probability of default and loss given default, determination of the recoverable amount and forecast of macroeconomic variables require a high level of professional judgment.

FBK-Bel Limited Liability Company
201-11-22A Logoisky highway | Minsk | 220090 | Republic of Belarus
Tel/fax +375 (17) 355 42 23 | E-mail fbk@fbk.by | www.fbk.by
TIN 690398039

Assessment of expected credit losses involves estimation techniques including internal credit ratings for calculation probability of default, historical data for determination of loss given default and forecasting of macroeconomic variables. Signs of significant increase in credit risk are also judgmental and are based on extent of downgrade in internal credit ratings, days overdue and other factors.

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 amounts due from financial institutions and the National Bank of the Republic of Belarus and loans to customers.

Note 4 "Significant accounting policies", Note 5 "Critical accounting estimates and judgements in applying accounting policies", Note 9 "Amounts due from financial institutions and the National Bank of the Republic of Belarus", Note 10 "Securitized loans", Note 11 "Loans to customers" and Note 27 "Risk management" included in the consolidated financial statements, provide detailed information on the allowance for expected credit losses and the Group's management approach to assessing and managing risk.

During the audit we examined and assessed the methodologies of the Group used for assessing the allowance for expected credit losses on amounts due from financial institutions and the National Bank of the Republic of Belarus and loans to individuals and legal entities.

We assessed credit risk factors used by the Group for determining significant increase in credit risk.

We analyzed rating models, key inputs and assumptions, model for assessing the probability of default, the level of recovery and macroeconomic forecast ratio, used for calculation of expected credit losses.

We tested (on a sample basis) valuation models for selected amounts due from financial institutions and the National Bank of the Republic of Belarus and loans. Our work included assessment if the models and inputs are appropriate, re-performance of selected calculations, and various analytical and other procedures.

We analyzed information related to the allowance for expected credit losses on amount due from financial institutions and the National Bank of the Republic of Belarus and loans, disclosed in the notes to the consolidated financial statements.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, Management is responsible for assessing the ability of the Group 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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the consolidated financial reporting process of the Group.

Auditor's responsibilities for the audit of the consolidated financial statements

The objectives of our audit are to obtain reasonable assurance about whether the consolidated 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 Law of the Republic of Belarus of July 12, 2013 "On Auditing Activities" and the National Regulations on Auditing Activities, ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Law of the Republic of Belarus of July 12, 2013 "On Auditing Activities" and the National Regulations on Auditing Activities, ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated 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 internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Group'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 consolidated 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 Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

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

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

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

Engagement Partner,

Deputy director of FBK-Bel — A.G. Petuh

Head of Engagement Team, — I.N. Fedorova

May 21, 2021

Audited organization

Closed joint-stock company "TC Bank" (CJSC "TC Bank");

65A Timiriazeva Street, Minsk, 220035, Republic of Belarus;

Information on state registration: registered by the Minsk City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 807000163.

Auditing organization

FBK-Bel LLC;

office 201-11-22A Logoisky highway, Minsk, 220090, Republic of Belarus;

Information on state registration: registered by the Minsk City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs on 06 February 2009 under No. 690398039.

Independent auditors' report received on May 21, 2021.

Chairman of the Board of CJSC "TC Bank ", S.F. Khaynovsski _____

(signature)

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

Management is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the financial position of Closed Joint-Stock Company "Trade Capital Bank" (the Bank) and its subsidiaries (hereinafter, the "Group") as at 31 December 2019, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's banks transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining accounting records in compliance with legislation and accounting rules of the Republic of Belarus;
- taking all reasonably possible measures to ensure the safe of the Group's assets; and
- detecting and preventing financial and other irregularities.

The consolidated financial statements of the Bank for the year ended 31 December 2020 were approved on 20 May 2021.

On behalf of the Management Board of the Bank

S.F. Khaynovsski — Chairman of the Management Board

N.A. Tivanova — Chief Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2020

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	8	7 174	7 292
Amounts due from financial institutions and the National Bank of the Republic of Belarus	9	58	2 411
Loans to customers	11	12 373	3 196
Securities	12	39 367	46 153
Securitized loans	10	78 986	64 549
None-current assets held for sale		438	1 175
Investment property	14	42 646	30 811
Property and equipment and intangible assets	13	4 064	15 935
Prepaid income tax		15	427
Deferred income tax asset	15	4 003	2 993
Other assets	16	5 323	2 858
TOTAL ASSETS		**194 447**	**177 800**
LIABILITIES			
Amounts due to financial institutions	17	9 502	988
Amounts due to customers	18	2 184	2 493
Other liabilities	16	5 171	1 102
TOTAL LIABILITIES		**16 857**	**4 583**
EQUITY			
Share capital	19	188 975	188 975
Share premium		61	61
Revaluation reserve for securities		462	(508)
Accumulated loss		(11 908)	(15 311)
TOTAL EQUITY		**177 590**	**173 217**
TOTAL LIABILITIES AND EQUITY		**194 447**	**177 800**

The accompanying notes are an integral part of these consolidated financial statements.

Signed and authorized for release on behalf of the Board of the Bank:

S.F. Khaynovsski — Chairman of the Management Board

N.A. Tivanova — Chief Accountant

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2020

	Notes	the year ended 31 December 2020	the year ended 31 December 2019
Interest income	21	10 894	9 148
Interest expense	21	(42)	(12)
Net interest income	21	**10 852**	**9 136**
Commission and fee income	22	177	70
Commission and fee expense	22	(136)	(99)
Net commission and fee expense	22	**41**	**(29)**
Net income arising from financial instruments at fair value through profit or loss		-	(14 489)
Net foreign exchange income	23	4 756	(1 748)
Net income arising from financial instruments at fair value through other comprehensive income	24	(465)	963
Net other income	25	4 892	8 066
Net operating income		**20 076**	**1 899**
Net change in allowance for expected credit loss		(8 298)	3 998
Net change in provision for impairment of other assets		179	256
Operating expenses	26	(9 642)	(9 836)
Profit before income tax		**2 315**	**(3 683)**
Income tax expense		1 088	4 049
Profit for the year		**3 403**	**366**

(thousands of Belarusian rubles)

OTHER COMPREHENSIVE INCOME		
Items that may be subsequently reclassified to profit or loss:		
Net change in fair value of financial assets at fair value through comprehensive income	627	12 525
Net result reclassified into profit or loss on financial assets at fair value through comprehensive income	423	74
Deferred tax asset	(119)	(3 265)
Net change in provision for ECL of securities at fair value through comprehensive income	39	434
Total other comprehensive loss, which may be reclassified to profit or loss	**970**	**9 768**
TOTAL COMPREHENSIVE INCOME	**4 373**	**10 134**

The accompanying notes are an integral part of these consolidated financial statements.

Signed and authorized for release on behalf of the Board of the Bank:

S.F. Khaynovsski — Chairman of the Management Board

N.A. Tivanova — Chief Accountant

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2020

	Share capital	Share premium	Revaluation reserve for securities	Accumulated loss	Total capital
Balance as at 1 January 2019	**188 975**	**61**	**(10 276)**	**(15 677)**	**163 083**
Comprehensive income for the year	**-**	**-**	**9 768**	**366**	**10 134**
Profit for the year	-	-	-	366	**366**
Other comprehensive income	-	-	9 768	-	**9 768**
Balance as at 31 December 2019	**188 975**	**61**	**(508)**	**(15 311)**	**173 217**
Comprehensive income for the year	**-**	**-**	**970**	**3 403**	**4 373**
Profit for the year	-	-	-	3 403	**3 403**
Other comprehensive income	-	-	970	-	**970**
Balance as at 31 December 2020	**188 975**	**61**	**462**	**(11 908)**	**177 590**

The accompanying notes are an integral part of these consolidated financial statements.

Signed and authorized for release on behalf of the Board of the Bank:

S.F. Khaynovsski — Chairman of the Management Board

N.A. Tivanova — Chief Accountant

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2020

	Notes	the year ended 31 December 2020	the year ended 31 December 2019
Cash flows from operating activities			
Interest received		11 484	7 656
Interest paid		(5)	(12)
Fees and commissions received		177	70
Fees and commissions paid		(136)	(99)
Realised gain from foreign currency		525	167
Realised gain from securities		(465)	963
Other income received		4 654	7 947
Other expenses paid		(6 830)	(7 697)
Income tax paid		-	(754)
Cash flows from operating activities before changes in operating assets and liabilities		**9 404**	**8 241**
Increase/ (decrease) in operating assets			
Amounts due from financial institutions and the National Bank of the Republic of Belarus		2 459	7 232
Securitized loans		(14 774)	(18 430)
Loans to customers		(9 304)	(1 338)
Other assets		(8)	4 161
Net increase in operating liabilities			
Amounts due to financial institutions		(400)	(11 465)
Amounts due to customers		(999)	(5 614)
Other liabilities		907	1 042
Net cash flows from operating activities		**(12 715)**	**(16 171)**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(654)	(783)
Proceeds from sale of property and equipment		582	1
Acquisition of investment property		(518)	(926)
Acquisition of securities		(13 515)	(305 382)
Sales of securities		26 006	319 694
Net cash flows used in investing activities		**11 901**	**12 604**
Net decrease in cash and cash equivalents		**(814)**	**(3 567)**
Effect of exchange rates changes on cash and cash equivalents		750	(674)
Effect of expected credit losses on cash and cash equivalents		54	15
Cash and cash equivalents at the beginning of the year	**8**	**7 292**	**11 518**
Cash and cash equivalents at the end of the year	**8**	**7 174**	**7 292**

The accompanying notes are an integral part of these financial statements.

Signed and authorized for release on behalf of the Board of the Bank:

S.F. Khaynovsski	Chairman of the Management Board
N.A. Tivanova	Chief Accountant

1. General information about the Group

Closed Joint-Stock Company "Trade Capital Bank" (hereinafter – CJSC "TC Bank", the Bank) was registered on the territory of the Republic of Belarus by the National Bank of the Republic of Belarus on 12 September 2008. The registered address of the Bank is the Republic of Belarus, 220035, Minsk, Timiriazeva Street, 65A.

In 2019, the Bank's Representative Office was closed in Tehran, Iran.

The Bank is the parent company of the Group, which includes a unitary enterprise for the provision of services of "Trading Capital-Invest" (hereinafter referred to as TC-Invest, the subsidiary), limited liability company "Trading Capital-Zapad" (hereinafter referred to as TC-Zapad, the subsidiary).

The main activity of TC-Invest is the leasing of its own real estate. The registered address of the subsidiary: Republic of Belarus, 220035, Minsk, Timiryazeva street, 65A, office 426.

The main activity of TC-Zapad is operations with real estate: the acquisition of real estate, the lease of own real estate, the sale of own real estate, as well as real estate management, taking into account the requirements established by the legislation of the Republic of Belarus. The registered address of the organization: Republic of Belarus, 220035, Minsk, Timiryazeva Street, 65A, office 423.

These consolidated financial statements were authorized for release on 20 May 2021 and were signed on behalf of the Chairman of the Management Board and Deputy Chief Accountant of the Bank. The shareholders have the right to amend the consolidated financial statements and request their re-issue.

As at December 31, 2020 the shareholder structure was as:

Shareholder	**2020 (%)**	**2019 (%)**
Tejarat Bank, Islamic Republic of Iran	99.89	99.89
Joint Belarusian and British Venture CJSC LadaGrant, Republic of Belarus Total	0.11	0.11
Total	**100.00**	**100.00**

In accordance with the license of the National Bank of the Republic of Belarus (hereinafter – the National Bank) for banking activity No.30 dated June 19, 2013, CJSC "TC Bank" has the right to conduct the following banking operations:

- attraction of funds of individuals and legal entities to accounts and in deposits (deposits);
- placement of raised funds on its behalf and at its own expense on terms of repayment, payment and urgency;
- opening and maintaining bank accounts of individuals and legal entities;
- settlement and cash services for individuals and legal entities, including correspondent banks;
- currency exchange operations;
- issue of bank guarantees;
- trust management of funds under a trust management agreement for cash;
- issue (emission) of bank payment cards;
- issue of securities, confirming the raising of funds to deposits, and their placements on the accounts;
- accounts receivable financing (factoring).

Special permission (license) for the right to carry out professional and stock exchange activities in securities №02200/5200-12-1081, issued by the Ministry of Finance of the Republic of Belarus.

In accordance with the Resolution of the Board of the National Bank dated April 25, 2018, the license of CJSC "TC Bank" for banking activities was suspended for a period until December 31, 2019 (from April 28, 2018) in terms of performing banking operations to attract individuals' funds into deposits.

On December 18, 2019, the Board of the National Bank extended for a year since December 23, 2019 the suspension of the Bank's license to carry out banking activities in terms of carrying out banking operations to attract funds from individuals into deposits (deposits).

In accordance with the Resolution of the Board of the National Bank, the license of CJSC "TC Bank" for banking activities was once again suspended for a period of one year (from December 21, 2020) in terms of carrying out banking operations to attract individuals' funds into deposits.

2. Emphasis of matter

The Board of the National Bank of the Republic of Belarus made a decision to extend for one year the suspension of the special permission (license) of the Closed Joint-Stock Company "Trade Capital Bank" (CJSC "TC Bank") to carry out banking activities in terms of carrying out a banking operation to attract funds from individuals into deposits. This decision came into force on December 21, 2020.

In November 2018, due to the renewal of sanctions against Iranian financial institutions and CJSC "TC Bank" by the United States, the Bank was disconnected from the interbank payment system SWIFT.

3. Basis of presentation

These consolidated financial statements have been prepared in accordance with international financial reporting standards (IFRS) and are based on the accounting data of the Bank and its subsidiaries formed in accordance with the legislation of the Republic of Belarus on accounting and reporting, taking into account adjustments and reclassification of items that are necessary to bring it into line with IFRS.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

These consolidated financial statements are presented in thousands of Belarusian rubles ("thousand BYN"), unless otherwise stated.

Inflation accounting

From January 1, 2011 till December 31, 2014 the economy of Belarus was recognized as hyperinflationary since numerous characteristics of the economic environment provided in IAS 29 "Financial Reporting in Hyperinflationary Economies" have been met. This standard requires that financial statements of the entity, whose functional currency is the currency of a hyperinflationary economy, shall be stated in terms of the measuring unit current at the end of the reporting period.

The effect of applying IAS 29 is that non-monetary items were converted to units of measure that were valid as at December 31, 2014, using the consumer price index. Starting from January 1, 2015, application of IAS 29 was ceased due to the decision by the professional accounting community that the Belarusian economy is no longer hyperinflationary, and the value of non-monetary assets, liabilities and capital in terms of the measuring unit current as of December 31, 2014 formed the basis for relevant incoming balances.

4. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared on a going concern basis as there is no evidence to support the Group's inability to continue as a going concern for at least 12 months following the reporting period.

Basis of consolidation

The subsidiaries controlled by the Group are consolidated. The Group has control over the investee if the Group is exposed to the risks associated with variable income from participating in the investee, or is able to receive such income and to influence its income by exercising its authority with respect to the investee. The consolidation of the subsidiary starts from the date of transition of control over it to the Group and ceases from the date of loss of control. All transactions between the Group's entities, as well as balances and unrealized gains on such transactions, are eliminated in full; unrealized losses are also eliminated, unless the transaction indicates a depreciation of the transferred asset. If necessary, the accounting policies of the subsidiary are amended to bring it in line with the Group's accounting policies.

The change in the ownership interest in a subsidiary without loss of control is accounted as a capital transaction. The losses of a subsidiary are attributable to the non-controlling interest even if it results in a negative balance.

If the Group loses control over the subsidiary, it ceases to recognize the assets and liabilities of the subsidiary, recognizes the fair value of the consideration received, the fair value of the investment remained, the surplus or deficit resulting from the transaction as part of the comprehensive income; reclassifies the interest of the parent in components previously recognized in other comprehensive income to total income or retained earnings.

Functional and presentation currency

The Belarusian ruble is the functional and representation currency of the Group.

Foreign exchange

Transactions in foreign currencies are converted into the functional currency at the exchange rate of the National Bank of the Republic of Belarus, at the transaction date. All monetary assets and liabilities, including off-balance sheet assets and liabilities denominated in foreign currencies are converted into Belarusian rubles at the exchange rate prevailing at the balance sheet date.

Gains or losses arising from exchange rate fluctuations on monetary assets and liabilities denominated in foreign currencies are recognized in the income statement in the period in which there are data fluctuations. Differences arising on conversion of foreign currencies are recognized in profit or loss, except for differences arising on the conversion of assets available for sale are carried at fair value are recognized in other comprehensive income.

The difference between the contractual exchange rate for a transaction in a foreign currency and the official rate of the National Bank of the Republic of Belarus at the date of such an operation is included in income after deduction of expenses for transactions in foreign currency.

The closing exchange rates that were used in the preparation of these financial statements are presented in the table below:

The table below shows the exchange rates of the Belarusian ruble against the US dollar, euro and Russian ruble:

	31 December 2020	**31 December 2019**
BYN/USD	2.5789	2.1036
BYN/EUR	3.1680	2.3524
BYN/RUB (per 100 currency units)	3.4871	3.4043

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value or historical cost are converted into Belarusian rubles at the exchange rate of the National Bank of the Republic of Belarus at the transaction date or the determination of fair value.

Financial assets and liabilities

Financial instruments – classification and assessment

From January 1, 2018 in accordance with IFRS 9 after initial recognition financial assets are measure at

amortized cost, fair value through other comprehensive income or at fair value through profit or loss, based on: business model used by the Group to manage financial assets; the contractual cash flow characteristics of financial asset.

To choose the category of financial assets, the Group consistently conducts two tests to determine the category of financial assets: business model test and cash flow performance test.

Business model analysis is performed at the level of asset portfolios. The Group analyzes all significant and objective evidence available at the valuation date to determine the business model for specific portfolios of financial assets.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

At initial recognition the Group may decide, irrevocably designate to represent, as part of other comprehensive income changes in the fair value of investments in equity instruments, not intended for trading. Dividends received from such an investment are recognized by the Group in profit or loss.

Financial liabilities are measured at fair value through profit or loss when they meet the definition of held for trading or classified in this category at initial recognition. Financial liabilities are measured at fair value through profit or loss if: the Group at initial recognition, irrevocably designate a financial liability as measured at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; fair value is used as the basis for managing a group of financial liabilities or financial assets; or financial liabilities held for trading, including derivatives.

All other financial liabilities are measured at amortized cost using effective interest method.

Except for trade receivables, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If the trade receivables do not contain a significant financing component it is measured at their transaction price.

After initial recognition the Group measures a financial asset at: amortized cost, fair value through other comprehensive income or fair value through profit or loss.

The Group applies impairment requirements to financial assets measured at amortized cost and financial assets measured at fair value through other comprehensive income.

After initial recognition the Group measures a financial liability at: amortized cost or fair value through profit or loss.

Fair value - the price which may be received to sell an asset or paid to transfer a liability in conducting operations on a voluntary basis between market participants at the measurement date.

Fair value measurement assumes that a transaction for sale of an asset or transfer of an obligation occurs:

- either in the main market for the asset or liability;

- either, in the absence of the main market, in the most favorable market for the asset or liability.

The Group must have access to the main or most favorable market. The fair value of an asset or liability is measured using assumptions that would be used by market participants in determining the price of an asset or liability, assuming that market participants act in their best interests. Non-financial asset fair value measurement takes into account the ability of a market participant to generate economic benefits from using the asset in the best and most efficient manner or selling it to another market participant who will use this asset in the best and most efficient manner.

The Group applies appropriate for the current situation and covered enough with sufficient data to evaluate the fair value assessment methods. Meanwhile it uses observable inputs to its maximum and non-observant inputs to its minimum.

All assets and liabilities are assessed or disclosed in the consolidated financial statements at fair value and classified within the hierarchy of sources of fair value as described below, based on the lowest-level inputs that are relevant to the fair value measurement as a whole:

Level 1 – market quotations of prices in the active market for identical assets or liabilities (without any adjustments);

Level 2 – valuation models in which the initial data relevant to the lowest level of the hierarchy, which are essential for the assessment of fair value, are directly or indirectly observable in the market;

Level 3 – valuation models in which the raw data relevant to the lowest level of the hierarchy, essential for the fair value measurement, are not observable in the market.

As for assets and liabilities that are recognized in the financial statements on a periodic basis, the Group determines the transfer between the levels of the sources of the hierarchy, re-analyzing the classification (based on the lowest-level input data that is significant for estimating the fair value as a whole) at the end of each reporting period.

The Group estimates the fair value of the instrument based on active market quotes in the event that this information is available. The market is considered active if transactions are conducted on a regular basis between independent informed participants, and the relevant price quotes are readily available and reflect market conditions.

If the market is not active, different valuation techniques are used to determine fair value. Valuation methods include a discounted cash flow model, a comparison with similar instruments for which observable prices exist, and others. Assumptions and data used in valuation methods include risk-free and base interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, exchange rates, stock and index quotes, and expected price volatility.

The purpose of valuation techniques is to determine the fair value that reflects the price of a financial instrument at the reporting date in a transaction between independent parties.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is taken into account on initial recognition, minus partial payments of principal, plus or minus the cumulative amortization of the difference between the original cost and the amount to maturity calculated using the effective interest method, minus provision for impairment.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs.* Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and

securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Derecognition of financial assets

The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Cash and cash equivalents

Cash and cash equivalents include cash, funds with the National Bank of the Republic of Belarus, funds provided to financial institutions with an original maturity of up to 90 days, which can be freely converted into the appropriate cash amount within a short period of time, except for guarantee deposits and other restricted funds.

Mandatory reserves placed in the National Bank of the Republic of Belarus

Mandatory reserves placed in the National Bank of the Republic of Belarus represent the required reserves to be deposited with the National Bank of the Republic of Belarus and not intended to finance the daily operations of the Group. Therefore, they are not considered as cash and cash equivalents used in the preparation of the statement of cash flows. Mandatory reserves placed in the National Bank of the Republic of Belarus are carried at amortized cost.

Amounts due from financial institution and the National bank of the Republic of Belarus

Amounts due from financial institution and the National bank of the Republic of Belarus are recorded when the Group advances money to counterparty banks with no intention of trade the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from financial institution and the National bank of the Republic of Belarus are measured at amortized cost.

Loans to customers

Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates, and has no intention of trading the receivable. Loans and advances to customers are carried at amortized cost.

Impairment of financial assets measured at amortized cost

At each reporting date, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

In accordance with the requirements of IFRS 9, the Group applies the model of expected credit losses for the purpose of impairment of financial instruments, the key principle of which is the timely reflection of deterioration or improvement in the credit quality of financial instruments, taking into account current and forecast information. The amount of expected credit losses, recognized as loss allowance for expected credit losses, depends on level of change in the credit quality of a financial instrument from the date of its initial recognition (for credit related commitments the date of initial recognition is the date when the Group assumes such commitment).

In accordance with the general approach, at the recognition date, financial instruments are included in Stage 1, then, depending on the degree of deterioration in credit quality from the date of initial recognition at subsequent reporting dates, the Group classifies financial instruments to one of the following steps:

Stage 1 - Financial instruments that do not have factors that indicate an increase in credit risk and that do not have impairment indicators for which expected credit losses are calculated for a period of 1 year;

Stage 2 - Financial instruments that have factors that indicate an increase in credit risk, but do not have impairment indicators for which expected credit losses are calculated for the entire life of the financial instrument;

Stage 3 - Financial instruments that have impairment indicators for which expected credit losses are calculated for the entire life of the financial instrument.

In case of significant increase in credit risk as of the previous reporting date, compared with the date of initial recognition, and financial asset was assigned to Stage 2 and at the reporting date there are no factors indicating a significant increase in credit risk compared to initial recognition, the asset is assigned to Stage 1 expected credit losses are determined on a 12-month horizon and loss allowance is recovered.

Purchased or originated credit-impaired financial assets are not transferable from Stage 3.

The Group considers a significant increase in credit risk at the reporting date if there are, among other things, the following signs: overdue debt on a financial asset for a period exceeding 30 days for individuals, as well as a significant deterioration in the counterparty credit rating for legal entities and individual entrepreneurs and financial institutions.

The main factors of impairment and classification to Stage 3 are following: debt overdue more than 90 days, decrease of credit rating to level E for corporate customers, initiation of economic litigation (bankruptcy) proceedings against the client by the economic court.

The amount of loss allowance for expected credit losses (ECL) depends on the amount of exposure at default (EAD), the term of the financial asset or conditional liability, the probability of default (PD) and level of loss given default (LGD). In general the amount of loss allowance for expected credit losses is calculated using the formula:

ECL = PD x LGD x EAD,

where PD – probability of default. This value is a calculated estimate of the probability of default over a certain time period during the term of the financial asset (contingent liability).

LGD – loss given default. This value is a calculated estimate of losses arising in the event of a default at a certain point in time.

EAD – exposure at default.

Estimation of the probability of default (PD) of legal entities is based on internal credit ratings. After determining the internal credit rating at the reporting date and the previous reporting date, a migration matrix is formed. The resulting migration matrix is adjusted taking into account the influence of macroeconomic factors. Any indicators that demonstrate the closest relation with the level of default can be used as a macroeconomic indicator.

Estimation of the probability of default (PD) of individuals is determined by dividing the credit debt of individuals into homogeneous loan portfolios by overdue periods: not past due, from 1 to 30 days, from 31 to 60 days, from 61 to 90 days, over 90 days. After dividing the credit debt of individuals into portfolios of homogeneous loans, a migration matrix is formed, which is adjusted for macroeconomic factors.

Estimation of the probability of default of financial institutions is based on external credit ratings established by external rating agencies. To obtain annual estimates of the probability of default (PD) for financial institutions, the Group uses rating agencies migration matrices. One-year migration matrix is adjusted for macroeconomic factors, similar to the approach used for corporate customers. Herewith, the macroeconomic factor of the respective country of registration of financial institution is used.

LGD coefficient is calculated based on historical information. The percentage of receipts from defaulted loans is analyzed. Proceeds from sale of collateral are not included in calculation. For future periods for which there is not enough historical information to calculate loss given default coefficient the level of coefficient is set at 100%. LGD coefficient for financial institutions is equal 100%.

When calculating the expected credit losses for legal entities cash flows are taken into account not only from the repayment of loan, but also from the possible realization of collateral. Calculating the collateral adequacy on loans to legal entities, as well as guarantees of the Group, the expected sale price of the collateral is determined. For this purpose, the market value of the property taking into account the forecasts for its change until the expected sale date of the property is determined.

To calculate the expected credit losses on receivables, a simplified approach is used, according to which the allowance for expected credit losses is recognized in an amount equal to the expected credit losses over the entire life of the financial instrument. The total amount of expected credit losses is calculated as the sum of the values of expected credit losses of three portfolios of receivables formed by the type of counterparty segment (financial institutions, corporate customers and individuals) and based on the number of days overdue. For receivables, for which evidence of impairment is identified, the allowance is assumed to be 100% of the outstanding amount.

For purchased or originated credit-impaired financial assets the date of initial recognition, the Group takes into account expected credit losses when calculating the effective interest rate adjusted for credit risk, and no allowance for impairment of such financial assets is formed. On subsequent reporting dates for the calculation of loss allowance the Group estimates only the cumulative changes in the value of expected credit losses over the entire life of the asset.

Repossessed collateral

Repossessed collateral represents non-financial assets acquired by the Bank in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in inventories within other assets depending on their nature and the Bank's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Credit related commitments

The Group issues financial guarantees and commitments to provide loans. Financial guarantee agreement – an agreement under which the issuing party is obliged to make certain payments to the counterparty to compensate for the loss incurred by the latter as a result of the fact that the debtor specified in the contract was not able to make payment within the terms established by the original or revised terms of the debt instrument.

At initial recognition, the Bank evaluates the financial guarantee agreement at fair value.

After initial recognition, a financial guarantee agreement is measured at the higher of: the estimated loss allowance; and the initially recognized amount less, where appropriate, the total recognized income.

Investment securities at fair value through other comprehensive income

This classification includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Investment securities at fair value through other comprehensive income are carried at fair value. Interest income on debt securities at fair value through other comprehensive income is calculated using the effective interest method, and recognized in profit or loss for the year. Dividends on equity instruments at fair value through other comprehensive income are recognized in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Financial instruments at amortized cost

These financial instruments include debt investment securities for which the Group has no intention to sell them immediately or in the near future, as well as loans and receivables. These financial instruments are carried at amortized cost.

Allowance for expected credit losses on financial assets

The Group applies impairment requirements to financial assets at amortized cost and financial assets at fair value through other comprehensive income.

Allowance for expected credit losses on financial assets that are measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

Sale and repurchase agreements

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. In such cases, they are classified as "repo receivables". The corresponding liabilities are presented within amounts due to financial institutions.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as amounts due from financial institutions and the National Bank of the Republic of Belarus or loans to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Offsetting

Offsetting of financial assets and liabilities with the reflection of only net balances in the statement of financial position is effected only if there is a legally enforceable right to offset and the intention to sell the asset concurrently with the settlement of the obligation. The right to set-off should not be due to an event in the future and should be valid in all of the following circumstances:

- in the ordinary course of business;

- in case of default; and

- in case of insolvency or bankruptcy of the organization, or any of the counterparties.

These conditions are generally not met for master netting agreements and the related assets and liabilities are fully reflected in the statement of financial position.

Property and equipment and intangible assets

Property and equipment as well as intangible assets are recorded at cost adjusted for inflation less accumulated amortization and impairment loss. Amortization is provided on a straight-line basis. The annual rates of amortization are:

Buildings and construction	1%-20%
Computer facilities	12.5%-25%
Transport vehicles	14.2%-25%
Other equipment	2%-33.3%
Intangible assets	10%-33.3%

Gains and losses on disposals of property and equipment and intangible assets are recognized in the statement of comprehensive income in the period of disposal.

Utility and maintenance costs are charged to the statement of comprehensive income as incurred. Capital repairs of property and equipment are added to historical cost of property and equipment. Useful lives, residual values and depreciation methods are reviewed annually.

Intangible assets of the Group are computer software and licenses.

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. An investment property is measured initially at its cost less transaction costs.

After recognition investment property is carried at its cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is charged on a straight-line basis. The annual rate of depreciation is 1-2 percent.

Non-current assets classified as held for sale

Non-current assets, which may include both non-current and current assets, are classified in the statement of financial position as "non-current assets held for sale" if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, rather than through continuing use.

Assets are reclassified when all of the following conditions are met:

(a) the assets are available for immediate sale in their present condition;

(b) the Bank's management approved and initiated an active programme to locate a buyer;

(c) the assets are actively marketed for sale at a reasonable price;

(d) the sale is expected within one year and

(e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Income and expenses recognition

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest method - the method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Effective interest rate - the interest rate that discounts estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the current value of a financial asset or liability.

The calculation of the effective interest rate includes all commissions received and paid, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs - these are additional costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Fee and commission income and expenses which are an integral part of an effective interest rate on a financial asset or liability are included in its definition

Other fee and commission income and expenses which are primarily represented by commissions for services and transactions are recognized at the moment of providing the service.

Bonuses and discounts on variable interest instruments are amortized to the date of the next revision of interest, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such bonuses or discounts are amortized over the whole expected life of the instrument.

Income tax

Current income tax expense is calculated in accordance with the legislation of the Republic of Belarus.

Deferred tax assets and liabilities are calculated for all temporary differences using the balance sheet liability method. Deferred income tax is provided for all temporary differences arising between the tax base of assets and liabilities and their carrying amount for the purposes of the consolidated financial statements, unless the deferred income tax arises from the initial recognition of goodwill, an asset or liability for an operation that is not an association of organizations, and which does not affect either accounting profit, or taxable profit or loss at the time of implementation.

Deferred tax assets are recorded only to the extent that it is probable that future taxable profit will be available against which the temporary differences that reduce the tax base may be offset. Deferred tax assets and liabilities are measured at tax rates that will be applied during the period of the asset's sale or settlement of the obligation, based on legislation that has entered into force or actually entered into force at the balance sheet date.

In addition, Belarus has various operating taxes applicable to the Group's operations. These taxes are included in operating expenses.

Impairment of non-financial assets

The carrying value of the assets of the Group, except for investment property in case of its fair value and deferred tax assets, are reviewed at each balance sheet date for impairment testing, if any such indication exists, the recoverable amount of the assets. For intangible assets with indefinite useful lives and intangible assets not yet available for use, the recoverable amount is estimated annually held regardless of any indications of impairment.

The recoverable amount of an asset is the greater of net selling price of assets and the value of their use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to a particular asset.

Impairment losses are recognized when the current value of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

At the end of each reporting period, the Group assesses whether there is evidence that an impairment loss recognized in prior periods for art asset no longer exist or may have decreased. Impairment losses recognized in prior periods for an asset must be restored if and only if since the last impairment loss has been a change in the estimates used to determine the asset's recoverable amount. The increased carrying amount of an asset attributable to the reversal of impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation), if not to recognize any impairment loss for that asset in prior years.

Provisions

Provisions are recognized in the financial statements when the Group has obligations (legal or arising out of the business practice), arising prior to the reporting date. At the same time there is a high probability that the enforcement of these obligations of the Group will require an outflow of economic resources, and the amount of the obligation can be estimated with reasonable accuracy.

Provisions are recognized in the amount representing the best estimate of the expenditure required to settle the obligation at the balance sheet date, based on current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

Short-term employee benefits

Current employee benefits are measured on an undiscounted value and are expensed in the period in which the related services are rendered or performed work.

According to the requirements of the legislation of the Republic of Belarus Group conducts mandatory payments to the Social Security Fund of the Ministry of Labour and Social Protection of the Republic of Belarus from the salary of its employees.

The Group has no other pension obligations to employees, retirees, as well as to former employees.

Equity

Ordinary shares

Ordinary shares are classified as equity items. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Information on dividends is disclosed in the consolidated financial statements if they were recommended before the reporting date, or recommended or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Presentation of statement of financial position in order of liquidity

Assets and liabilities of the Bank are presented in the statement of financial position in order of liquidity.

Operating segments

Management of the Group does not evaluate the results of operations in the context of segments and does not take decisions based on such a division.

5. Critical accounting estimates and judgments in applying accounting policies

The Group produces estimates and assumptions that affect the reported amounts in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the process of applying the accounting policies, management also makes judgments and estimates.

Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include:

Going Concern

The management has prepared the consolidated financial statements on the basis of going concern. When rendering this judgment, management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, as well as the Group's operating environment.

Loss allowance for expected credit losses

The Group regularly reviews its loans, securities and receivables to assess impairment. Judgment by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Group makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Evaluation of loss allowance for expected credit losses (ECL) for financial assets measured at amortized cost and at fair value through other comprehensive income requires the use of complex models and significant assumptions regarding future economic conditions and the counterparty's credit behavior. The Group applies judgments when assessing whether the counterparty's credit risk has increased significantly, forecasting the future economic situation, and choosing the appropriate model for estimating expected credit losses.

Determination of fair value

Determining the fair value of financial assets and liabilities for which there is no quoted market prices requires the use of valuation techniques as is described in the appropriate accounting policy (Note 4). For financial instruments that do not have an active market, determination of fair value is less objective and requires judgments based on liquidity, concentration, uncertainty of market factors, assumptions in determining the cost and other factors affecting the specific instrument.

Deferred tax assets

Deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Impairment of non-financial assets

The carrying value of the Group's non-financial assets, except for deferred tax assets, is reviewed at each reporting date to determine any indication of impairment. If there is any such indication of impairment the recoverable amount of an asset is estimated. The recoverable amount of other non-financial asset is the largest value of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows independently of the other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Useful lives of property and equipment

The Group reviews useful lives of property and equipment at least at each financial year-end. If expectations differ from previous estimates, changes are treated as changes in accounting estimates. These estimates may have a material impact on the carrying amounts of property and equipment and on depreciation recognized in the statement of profit or loss.

6. Adoption of new or revised standards and interpretations

The following amended standards became effective on January 1, 2020, but did not have a significant impact on the Bank:

Amendments to the Conceptual Framework for Financial Reporting (issued on March 29, 2018 and effective for annual periods beginning on or after January 1, 2020). The revised Conceptual Framework contains a new chapter on valuation, recommendations for reporting financial performance, improved definitions and recommendations (in particular, the definition of liabilities), and clarifications on important issues such as the role of governance, prudence and valuation uncertainty in preparing financial statements.

Definition of a business – Amendments to IFRS 3 (issued on October 22, 2018 and effective from the beginning of the annual reporting period beginning on or after January 1, 2020). These amendments change the definition of a business. A business is made up of inputs and essential processes that together form the ability to create value. The new guidance includes a system to determine if there is input and significant process, including for companies in the early stages of development that have not yet received a return. In the absence of returns, an organized workforce must be present for an enterprise to be considered a business. The definition of "returns" is narrowed to focus on the goods and services provided to customers, on the creation of investment income and other income, while excluding the results in the form of cost savings and other economic benefits. In addition, there is no longer any need to assess whether market participants are capable of replacing missing items or integrating acquired activities and assets. An organization can apply a "concentration test". The assets acquired will not be considered a business if substantially all of the fair value of the gross assets acquired is concentrated in one asset (or a group of similar assets).

Definition of Material - Amendments to IAS 1 and IAS 8 (issued on October 31, 2018 and effective for annual periods beginning on or after January 1, 2020). These amendments clarify the definition of material and the application of this concept by incorporating definitional guidance that was previously provided in other IFRSs. In addition, the explanations accompanying this definition were improved. The amendments also ensure consistency in the use of the definition of material in all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on September 26, 2019 and effective for annual periods beginning on or after January 1, 2020). The amendments were caused by the replacement of basic interest rates such as LIBOR and other interbank offered rates (IBORs). The amendments provide for a temporary exemption from the specific hedge accounting requirements for hedging relationships that are directly affected by the IBOR reform.

Amendment to IFRS 16 Leases to Record Lease Assignments Related to COVID-19 (issued on May 28, 2020 and effective for annual periods beginning on or after June 1, 2020). The changes allow lessees, as a practical matter, not to assess whether specific lease concessions that are a direct consequence of the COVID-19 pandemic count as lease modifications, and instead treat those lease concessions as if they were not lease modifications. The changes do not affect lessors. This practical solution is only applied if all of the following conditions are met: a change in lease payments results in a revision of the rental indemnity so that it does not exceed the rental indemnity immediately prior to the change; any decrease in lease payments affects only payments due no later than June 30, 2021; and the absence of significant changes in other lease terms. During the reporting period, there were no concessions to which this amendment could be applied.

7. Other revised standards and interpretations that will cause changes in accounting policies in the future

The following are a number of standards and amendments to standards that are effective for annual periods beginning after January 1, 2021, with early adoption permitted. However, the Group has not early adopted these new standards and amendments to standards in preparing these financial statements.

Standards and Interpretations	Effective for annual periods beginning on or after
Amendments to IAS 1 – Presentation of Financial Statements	January 1, 2023
Amendments to IFRS 9 – Financial Instruments:	
- in relation to interest rates;	January 1, 2021
- in relation to "10% test"	January 1, 2022
Amendment to IAS 16 – Property, Plant and Equipment	January 1, 2022
IFRS 17 – Insurance Contracts	January 1, 2021
Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets	January 1, 2022

Amendments to IAS 1 – Presentation of Financial Statements

The amendments were issued in 2020 and are effective for annual periods beginning on or after January 1, 2023 (early adoption permitted). The main changes are related to clarification that a liability is classified as non-current if the entity has the right to defer settlement of the liability by at least 12 months – this right should exist at the end of the reporting period. The classification depends only on the existence of such right and does not depend on the possibility of whether the company plans to exercise this right.

Amendments to IFRS 9 – Financial Instruments

Issued in 2020 and mandatory for annual periods beginning on or after January 1, 2021 (early adoption permitted). The amendments describe the accounting procedure of transitions from current benchmark interest rates (for example, interbank lending rates - IBORs) to alternative benchmarks in such a way that no distortionary effects on the financial statements arise.

The amendment to IFRS 9 also addresses the issue of which payments should be included in the "10% test" to derecognize financial liabilities. Costs or payments may be in favor of third parties or a lender. In accordance with this amendment, costs or payments to third parties will not be included in the "10% test". This amendment was issued on May 14, 2020 and is effective for annual periods beginning on or after January 1, 2022).

Amendment to IAS 16 – Property, Plant and Equipment

Issued in 2020 and mandatory for annual periods beginning on or after January 1, 2022 (early adoption permitted). The amendment prohibits a decrease in the original cost of an item of property, plant and equipment by the amount received from the sale of items produced by the item of property, plant and equipment in the process of bringing it to a condition necessary for operation in accordance with the intentions of management.

IFRS 17 – Insurance Contracts issued by the IASB in May 2017 is 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 insurance, direct insurance and re-insurance) regardless of the type of entities that issues them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model supplemented by:

- certain modifications related to insurance contracts with direct participation features (variable compensation method);

- a simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after January 1, 2021. This standard is not applicable to the Group.

Amendments to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets

Issued in 2020 and mandatory for annual periods beginning on or after January 1, 2022 (early adoption permitted). The amendments clarify that "contract execution costs" are costs directly connected to the contract – that is, additional costs to fulfill the contract (for example, direct labor and material costs), or the allocation of other costs that are also directly related to the contract (for example, the allocation of depreciation of an item of fixed assets used in the performance of the contract).

The Group is currently studying the provisions of these Standards, their impact on the Group and the terms of their application.

8. Cash and cash equivalents

Cash and cash equivalents comprise:

	December 31, 2020	December 31, 2019
Current accounts with other banks	2 495	3 242
Cash on hand	1 534	3 489
Current accounts with the National bank of the Republic of Belarus (except for mandatory reserves placed in the National Bank of the Republic of Belarus)	3 227	589
Less allowance for ECL	(82)	(28)
Total cash and cash equivalents	**7 174**	**7 292**

As at December 31, 2020, the largest balance of cash and cash equivalents on current accounts with other banks of the Group is funds on a correspondent account with a non-resident bank JSC "MB Bank" in the amount of 1 290 thousand BYN.

As at December 31, 2019 the largest balance of cash and cash equivalents on current accounts with other banks of the Group is funds on correspondent accounts with JSB "Belarusbank" in the amount of 1.733 thousand BYN.

All cash and cash equivalents are assigned to Stage 1. The analysis of changes in estimated allowance for ECL for the year is given below.

Allowance for ECL as at January 1, 2020	**28**
Originated or purchased	61
Derecognition as a result of disposal	(7)
Foreign exchange translation differences and other movements	-
Allowance for ECL as at December 31, 2020	**82**

9. Amounts due from financial institutions and the National Bank of the Republic of Belarus

Amounts due from financial institutions and the National Bank of the Republic of Belarus at amortized cost comprise:

	December 31, 2020	December 31, 2019
Balances on current accounts with other banks	157	321
Mandatory reserves placed in the National Bank of the Republic of Belarus	58	61
Term deposits with the National Bank of the Republic of Belarus	-	2 350
Term interbank loans granted to non-resident banks	8 840	-
Total amounts due from financial institutions and the National Bank of the Republic of Belarus	**9 055**	**2 732**
Less allowance for ECL	(8 997)	(321)
Total amounts due from financial institutions and the National Bank of the Republic of Belarus	**58**	**2 411**

Concentration of amounts due from financial institutions and the National Bank of the Republic of Belarus

As at December 31, 2020 amounts due from financial institutions and the National Bank of the Republic of Belarus include a loan provided to a shareholder in the amount of 8.840 thousand BYN.

The tables below provide an analysis of changes in the carrying amount and related ECL for the year ended December 31, 2020 and December 31, 2019:

Amounts due from financial institutions and the National Bank of the Republic of Belarus	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at January 1, 2020	**2 411**	**-**	**-**	**321**	**2 732**
Originated or purchased	335	-	-	8 933	**9 268**
Derecognition as a result of disposal	(2 350)	-	-	(199)	**(2 549)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Effect of other movements in gross carrying amount	(338)	-	-	(58)	**(396)**
As at December 31, 2020	**58**	**-**	**-**	**8 997**	**9 055**

Amounts due from financial institutions and the National Bank of the Republic of Belarus	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at January 1, 2020	**-**	**-**	**-**	**321**	**321**
Originated or purchased	-	-	-	8 875	**8 875**
Derecognition as a result of disposal		-	-	(199)	**(199)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	-	-	-	-	**-**
As at December 31, 2020	**-**	**-**	**-**	**8 997**	**8 997**

Amounts due from financial institutions and the National Bank of the Republic of Belarus	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at January 1, 2019	**1 202**	**-**	**-**	**4 259**	**5 461**
Originated or purchased	1 935	-	-	**-**	**1 935**
Derecognition as a result of disposal	(726)	-	-	**(3 976)**	**(4 702)**
Transfers to Stage 1	-	-	-	**-**	**-**
Transfers to Stage 2	-	-	-	**-**	**-**
Transfers to Stage 3	-	-	-	**-**	**-**
Effect of other movements in gross carrying amount	-	-	-	38	**38**
As at December 31, 2019	**2 411**	**-**	**-**	**321**	**2 732**

Amounts due from financial institutions and the National Bank of the Republic of Belarus	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at January 1, 2019	**5**	**-**	**-**	**4 246**	**4 251**
Originated or purchased	-	-	-	**-**	**-**
Derecognition as a result of disposal	(5)	-	-	**-**	**(5)**
Transfers to Stage 1	-	-	-	**-**	**-**
Transfers to Stage 2	-	-	-	**-**	**-**
Transfers to Stage 3	-	-	-	**-**	**-**
Foreign exchange translation differences and other movements		-	-	(3 925)	**(3 925)**
As at December 31, 2019	**-**	**-**	**-**	**321**	**321**

10. Securitized loans

Securitized loans at amortized cost comprise:

	December 31, 2020	December 31, 2019
Funds provided to resident banks on repo transactions	79 060	65 161
Total securitized loans	**79 060**	**65 161**
Less allowance for ECL	(74)	(612)
Total amounts due from financial institutions and the National Bank of the Republic of Belarus	**78 986**	**64 549**

Concentration of securitized loans

As at December 31, 2020 securitized loans include funds provided to banks of the Republic of Belarus under repo transactions excessing 10% of the Group's capital (CJSC "MTBank", OJSC "Paritetbank").

Securitized loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at January 1, 2020	**65 161**	**-**	**-**	**-**	**65 161**
Originated or purchased	79 060	-	-	-	**79 060**
Derecognition as a result of disposal	(65 161)	-	-	-	**(65 161)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Effect of other movements in gross carrying amount	-	-	-	-	**-**
As at December 31, 2020	**79 060**	**-**	**-**	**-**	**79 060**

Securitized loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at January 1, 2020	**612**	**-**	**-**	**-**	**612**
Originated or purchased	74	-	-	-	**74**
Derecognition as a result of disposal	(612)	-	-	-	**(612)**

Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	-	-	-	-	**-**
As at December 31, 2020	**74**	**-**	**-**	**-**	**74**

Securitized loans	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at January 1, 2019	**50 219**	**-**	**-**	**-**	**50 219**
Originated or purchased	65 161	-	-	-	**65 161**
Derecognition as a result of disposal	(50 219)	-	-	-	**(50 219)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Effect of other movements in gross carrying amount	-	-	-	-	**-**
As at December 31, 2019	**65 161**	**-**	**-**	**-**	**65 161**

Securitized loans	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at January 1, 2019	**2 215**	**-**	**-**	**-**	**2 215**
Originated or purchased	612	-	-	-	**612**
Derecognition as a result of disposal	(2 215)	-	-	-	**(2 215)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	-	-	-	-	**-**
As at December 31, 2019	**612**	**-**	**-**	**-**	**612**

11. Loans to customers

Loans to customers at amortized cost include the following amounts:

Client	**December 31, 2020**	**December 31, 2019**
Loans to legal entities	15 725	6 769
Loans to individuals	1 299	1 088
Total loans to customers	**17 024**	**7 857**
Less allowance for ECL	(4 651)	(4 661)
Total loans to customers	**12 373**	**3 196**

Analysis of loans to legal entities by branches of operations as at December 31, 2020 and December 31, 2019 is presented below:

Branch	**December 31, 2020**	**December 31, 2019**
Services and trade	7 222	6 760
Construction and real estate	8 503	9
Individuals	1 299	1 088
Less allowance for ECL	(4 651)	(4 661)
Total loans to customers	**12 373**	**3 196**

Movements in the gross carrying amount and respective ECL related to loans to legal entities for the year ended December 31, 2020 and December 31, 2019 are as follows:

Loans to legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at January 1, 2020	**1 855**	**-**	**4 914**	**-**	**6 769**
Originated or purchased	10 040	-	-	**-**	**10 040**

Derecognition as a result of disposal	(1 074)	-	(10)	-	**(1 084)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	-	-	-	-	-
As at December 31, 2020	**10 821**	**-**	**4 904**	**-**	**15 725**

Loans to legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at January 1, 2020	**-**	**-**	**4 660**	-	**4 660**
Originated or purchased	-	-	-	-	-
Derecognition as a result of disposal	-	-	(9)	-	**(9)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Foreign exchange translation differences and other movements	-	-	-	-	-
As at December 31, 2020	**-**	**-**	**4 651**	-	**4 651**

Loans to legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at January 1, 2019	**910**	-	**17 590**	**-**	**18 500**
Originated or purchased	945	-	-	**-**	**945**
Derecognition as a result of disposal	-	-	(10 451)	**-**	**(10 451)**
Transfers to Stage 1	-	-	-	**-**	**-**
Transfers to Stage 2	-	-	-	**-**	**-**
Transfers to Stage 3	-	-	-	**-**	**-**
Effect of other movements in gross carrying amount	-	-	(2 225)	**-**	**(2 225)**
As at December 31, 2019	**1 855**	**-**	**4 914**	**-**	**6 769**

Loans to legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at January 1, 2019	**-**	**-**	**14 950**	**-**	**14 950**
Originated or purchased	-	-	-	**-**	**-**
Derecognition as a result of disposal	-	-	(10 383)	**-**	**(10 383)**
Transfers to Stage 1	-	-	-	**-**	**-**
Transfers to Stage 2	-	-	-	**-**	**-**
Transfers to Stage 3	-	-	-	**-**	**-**
Foreign exchange translation differences and other movements	-	-	93	**-**	**93**
As at December 31, 2019	**-**	**-**	**4 660**	**-**	**4 660**

The aging analysis of past due loans to legal entities by class as at December 31, 2020 is presented in the table below:

Loans to legal entities	**Loans, gross**	**Allowance for ECL**	**Loans less allowance for ECL**	**Allowance for ECL to gross amount of loans, %**
Not past due	10 821	-	10 821	-
1-30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
More than 90 days	4 904	4 651	253	95
Total loans to legal entities	**15 725**	**4 651**	**11 074**	**95**

The aging analysis of past due loans to legal entities by class as at December 31, 2019 is presented in the table below:

Loans to legal entities	Loans, gross	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross amount of loans, %
Not past due	1 855	-	1 855	-
1-30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
More than 90 days	4 914	4 660	254	-
Total loans to legal entities	**6 769**	**4 660**	**2 109**	**95**

Movements in the gross carrying amount and respective ECL related to loans to individuals for the year ended December 31, 2020 and December 31, 2019 are as follows:

Loans to individuals	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at January 1, 2020	**1 088**	**-**	**-**	**-**	**1 088**
Originated or purchased	542	-	-	-	**542**
Derecognition as a result of disposal	(124)	-	-	-	**(124)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-			**-**
Transfers to Stage 3	-	-	-	-	**-**
Effect of other movements in gross carrying amount	(207)	-	-	-	**(207)**
As at December 31, 2020	**1 299**	**-**	**-**	**-**	**1 299**

Loans to individuals	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at January 1, 2020	**1**	**-**	**-**	**-**	**1**
Originated or purchased		-	-	-	
Derecognition as a result of disposal	-	-	-	-	**-**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	(1)	-	-	-	**(1)**
As at December 31, 2020	**-**	**-**	**-**	**-**	**-**

Loans to individuals	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at January 1, 2019	**560**	**-**	**-**	**-**	**560**
Originated or purchased	600	-	-	-	**600**
Derecognition as a result of disposal	(17)	-	-	-	**(17)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-			**-**
Transfers to Stage 3	-	-	-	-	**-**
Effect of other movements in gross carrying amount	(55)	-	-	-	**(55)**
As at December 31, 2019	**1 088**	**-**	**-**	**-**	**1 088**

Loans to individuals	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at January 1, 2019	-	-	-	-	**-**
Originated or purchased	1	-	-	-	**1**
Derecognition as a result of disposal	-	-	-	-	**-**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	-	-	-	-	**-**
As at December 31, 2019	**1**	**-**	**-**	**-**	**1**

The aging analysis of past due loans to individuals by class as at December 31, 2020 is presented in the table below:

Loans to individuals	Loans, gross	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross amount of loans, %
Not past due	1 299	-	1 299	-
1-30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
More than 90 days	-	-	-	-
Total loans to individuals	**1 299**	**-**	**1 299**	**-**

The aging analysis of past due loans to individuals by class as at December 31, 2019 is presented in the table below:

Loans to individuals	Loans, gross	Allowance for ECL	Loans less allowance for ECL	Allowance for ECL to gross amount of loans, %
Not past due	1 088	1	1 087	-
1-30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
More than 90 days	-	-	-	-
Total loans to individuals	**1 088**	**1**	**1 087**	**-**

The Group requires collateral in order to mitigate the credit risk. The amount and type of the collateral depends on an assessment of the credit risk of the counterparty.

The major types of collateral for corporate lending are charges over real estate properties, inventory. The major types of collateral for retail lending are mortgages over residential properties.

As at December 31, 2020 and December 31, 2019 the Group does not have outstanding loans to customers provided to one borrower exceeding 10% of the Group's capital.

12. Securities

Securities comprise the following amounts:

	December 31, 2020	December 31, 2019
Debt securities measured at fair value through other comprehensive income		
Bonds issued by republican bodies of state management	2 542	2 188
Bonds issued by banks of the Republic of Belarus	36 285	43 965
Total securities measured at fair value through other comprehensive income	**38 827**	**46 153**
Debt securities measured at amortized cost		
Bonds of non-bank financial organizations of the Republic of Belarus	540	-
Total securities measured at amortized cost	**39 367**	**46 153**

Movements in the gross carrying amount and respective ECL related to securities measured at fair value through other comprehensive income for the year ended December 31, 2020 are as follows:

Securities measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at January 1, 2020	**46 153**	**-**	**-**	**-**	**46 153**
Originated or purchased	21 316				**21 316**

Derecognition as a result of disposal	(30 770)	-	-	-	**(30 770)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	2 128	-	-	-	**2 128**
As at December 31, 2020	**38 827**	**-**	**-**	**-**	**38 827**

Securities measured at fair value through other comprehensive income	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at January 1, 2020	**434**	**-**	**-**	**-**	**434**
Originated or purchased	699	-	-	-	**699**
Derecognition as a result of disposal	(289)	-	-	-	**(289)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	307	-	-	-	**307**
As at December 31, 2020	**1 151**	**-**	**-**	**-**	**1 151**

Movements in the gross carrying amount and respective ECL related to securities measured at fair value through other comprehensive income for the year ended December 31, 2019 are as follows:

Securities measured at fair value through other comprehensive income	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at January 1, 2019	**48 496**	**-**	**-**	**-**	**48 496**
Originated or purchased	32 959				**32 959**
Derecognition as a result of disposal	(35 363)	-	-	-	**(35 363)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	61	-	-	-	**61**
As at December 31, 2019	**46 153**	**-**	**-**	**-**	**46 153**

Securities measured at fair value through other comprehensive income	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at January 1, 2019	**678**	**-**	**-**	**-**	**678**
Originated or purchased	310	-	-	-	**310**
Derecognition as a result of disposal	(619)	-	-	-	**(619)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	65	-	-	-	**65**
As at December 31, 2019	**434**	**-**	**-**	**-**	**434**

The analysis of the changes in the carrying amount and respective ECL for securities measured at amortized cost for the year ended December 31, 2020.

Securities measured at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at January 1, 2020	**-**	**-**	**-**	**-**	**-**
Originated or purchased	594	-	-	-	**594**
Derecognition as a result of disposal	-	-	-	-	**-**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	-	-	-	-	**-**
As at December 31, 2020	**594**	-	-	-	**594**

Securities measured at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at January 1, 2020	**-**	**-**	**-**	**-**	**-**
Originated or purchased	54	-	-	-	**54**
Derecognition as a result of disposal	-	-	-	-	**-**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Foreign exchange translation differences and other movements	-	-	-	-	**-**
As at December 31, 2020	**54**	-	-	-	**54**

During 2020 and 2019, the Bank carried out transactions with government bonds in foreign currency, bonds of banks of the Republic of Belarus, a non-bank financial institution.

As at December 31, 2019, the Group placed funds in bonds issued by the Ministry of Finance, as well as in bonds of resident banks (CJSC "MTBank", OJSC "Belarusbank", OJSC "BNB-Bank", CJSC "Idea Bank", OJSC "Development Bank of the Republic of Belarus"). Investments in securities of OJSC "Belarusbank" and CJSC "MTBank" exceed 10% of the Group's capital.

13. Property and equipment and intangible assets

The movements in property and equipment and intangible assets were as follows:

	Buildings and constructions	Computer equipment	Transport vehicles	Furniture and other	Intangible assets	Capital investment	Right-of-use assets	Right-of-use assets
Original value								
As at January 1, 2020	**16 800**	**464**	**235**	**593**	**1 278**	**28**	**45**	**19 443**
Arrivals in 2020	-	74	-	91	157	762	-	**1 084**
Reclassification to investment property	(13 362)	-	-	-	-	-	-	**(13 362)**
Impairment	-	-	-	-	-	-	-	**-**
Disposals in 2020	-	(16)	-	(31)	(10)	**(14)**	**(30)**	**(101)**
As at December 31, 2020	**3 438**	**522**	**235**	**653**	**1 425**	**776**	**15**	**7 064**
Accumulated Depreciation	-	-	-	-	-	**-**	**-**	**-**
As at January 1, 2020	**(1 501)**	**(379)**	**(120)**	**(463)**	**(1 035)**	**-**	**(10)**	**(3 508)**
Charge for the 2020	(193)	(35)	(18)	(40)	(153)	**-**	(2)	**(441)**
Reclassification to investment property	889	-	-	-	-	**-**	-	**889**
Disposals in 2020	-	15	-	29	9	**-**	**7**	**60**
As at December 31, 2020	**(805)**	**(399)**	**(138)**	**(474)**	**(1 179)**	**-**	**(5)**	**(3 000)**
Residual value	-	-	-	-	-	**-**	**-**	**-**
As at January 1, 2020	**15 299**	**85**	**115**	**130**	**243**	**28**	**35**	**15 935**
As at December 31, 2020	**2 633**	**123**	**97**	**179**	**246**	**776**	**10**	**4 064**

	Buildings and constructions	Computer equipment	Transport vehicles	Furniture and other	Intangible assets	Capital investment	Right-of-use assets	Right-of-use assets
Original value								
As at January 1, 2019	**16 770**	**453**	**423**	**602**	**1 258**	**-**	**-**	**19 506**
Effect of adoption of IFRS 16	-	-	-	-	-	-	45	45
As at January 1, 2019 according to IFRS 16	**16 770**	**453**	**423**	**602**	**1 258**	**-**	**45**	**19 551**
Arrivals in 2019	155	47	92	4	99	28	**-**	**425**
Reclassification to non-current assets held for sale	(31)	-	-	-	-	**-**	**-**	**(31)**
Impairment	-	-	-	-	-	**-**	**-**	**-**
Disposals in 2019	(94)	(36)	(280)	(13)	(79)	**-**	**-**	**(502)**
As at December 31, 2019	**16 800**	**464**	**235**	**593**	**1 278**	**28**	**45**	**19 443**
Accumulated Depreciation								
As at January 1, 2019	**(1 301)**	**(391)**	**(385)**	**(444)**	**(972)**	**-**	**-**	**(3 493)**
Charge for the 2019	(202)	(24)	(15)	(32)	(130)	**-**	(10)	**(413)**
Disposals in 2019	2	36	280	13	67	**-**	**-**	**398**
As at December 31, 2019	**(1 501)**	**(379)**	**(120)**	**(463)**	**(1 035)**	**-**	**(10)**	**(3 508)**
Residual value								
As at January 1, 2019	**15 469**	**62**	**38**	**158**	**286**	**-**	**45**	**16 013**
As at December 31, 2019	**15 299**	**85**	**115**	**130**	**243**	**28**	**35**	**15 935**

14. Investment property

	December 31, 2020	December 31, 2019
Original value		
Balance as at 1 January	**32 635**	**32 044**
Arrival	518	926
Reclassification from property and equipment	13 362	-
Impairment	(686)	(324)
Disposal	-	(11)
Balance as at 31 December	**45 829**	**32 635**
Accumulated depreciation		
Balance as at 1 January	**(1 824)**	**(1 382)**
Accruals	(470)	(442)
Reclassification from property and equipment	(889)	-
Balance as at 31 December	**(3 183)**	**(1 824)**
Residual value as at 31 December	**42 646**	**30 811**

The Group refers to the investment property real estate objects received as compensation for previously granted loans, encumbered with lease agreements.

The investment property is recorded at cost, including acquisition costs less accumulated depreciation and impairment losses.

As at December 31, 2020 and December 31, 2019 the Group's management estimates fair value of investment property in the amount of approximately equal to their carrying amount.

15. Income tax

The Group accrues taxes on the basis of tax accounting, which is conducted in accordance with the tax legislation of the Republic of Belarus, which may differ from International Financial Reporting Standards.

Due to the fact that certain types of expenses are not tax-deductible, and due to the presence of non-taxable income, the Group has certain permanent tax differences.

During the periods ended December 31, 2020 and December 31, 2019 the republican tax rate for Belarusian banks and companies was 25%.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amount that is determined for tax purposes.

Income tax expense comprises:

	the year ended 31 December 2020	**the year ended 31 December 2019**
Income / (expense) for current income tax	(41)	2 997
Deferred income tax income / (expense)	1 129	1 052
Total	**1 088**	**4 049**

The temporary differences as at December 31, 2020 and December 31, 2019 are presented as follows:

	December 31, 2020	**December 31, 2019**
Deductible temporary differences:		
- cash and cash equivalents	*82*	*28*
- none-current assets held for sale	*218*	*343*
- investment property	*3 338*	*8 256*
- loans to customers	*-*	*-*
- property and equipment and intangible assets	*8 083*	*2 691*
- other assets and liabilities	*-*	*40*
- amounts due from financial institutions and the National Bank of the Republic of Belarus	*6 861*	*256*
- securitized loans	*-*	*-*
- securities	*139*	*614*
Total deductible temporary differences	**18 721**	**12 228**
Deferred tax asset at the tax rate of 25%	**4 680**	**3 057**
Taxable temporary differences:		
- cash and cash equivalents	*-*	*-*
- none-current assets held for sale	*-*	*-*
- investment property	*-*	*-*
- loans to customers	*(2 343)*	(257)
- property and equipment and intangible assets	*-*	*-*
- other assets and liabilities	*(53)*	*-*
- amounts due from financial institutions and the National Bank of the Republic of Belarus	*-*	*-*
- securitized loans	(314)	*-*
Total taxable temporary differences	**(2 710)**	**(257)**

Deferred tax liability at a tax rate of 25%	**(677)**	**(64)**
Total income tax expense	**4 003**	**2 993**

The comparison of the theoretical tax expense to the actual tax expense for the years ended December 31, 2020 and December 31, 2019 is represented below:

	December 31, 2020	**December 31, 2019**
Income/expense before tax	**2 315**	**(3 683)**
Theoretical recovery of income tax at the statutory rate - 25% / (Estimated value of income tax at the statutory rate - 25%)	(579)	921
Tax effect of income / (expenses) not participating in taxation	1 667	3 128
Total income tax expense	**1 088**	**4 049**

Information on the movement of deferred income tax is as follows:

	December 31, 2020	**December 31, 2019**
Deferred tax at the beginning of the year	**2 993**	**1 787**
Recognised in profit and loss	1 129	1 053
Recognised in other comprehensive income	(119)	153
Total deferred tax asset at the end of the year	**4 003**	**2 993**

16. Other assets and liabilities

Other assets comprise:

	December 31, 2020	**December 31, 2019**
Other financial assets at amortized cost		
Accrued income	95	107
Settlements with other debtors	164	247
ECL provisions for receivables and accrued income	(96)	(63)
Settlements with advance holders	-	3
Total other financial assets	**163**	**294**
Other non-financial assets		
Property received in repayment of credit debts	1 455	2 925
Settlements with suppliers and contractors	355	162
Taxes other than income tax	3 997	43
Prepayments for fixed assets and construction	8	274
Materials	15	9
Inventory impairment allowance	(670)	(849)
Total other non-financial assets	**5 160**	**2 564**
Total other assets	**5 323**	**2 858**

Movements in allowances for ECL on other financial assets for the year ended December 31, 2020 are presented below:

Other financial assets	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at January 1, 2020	-	**22**	**41**	-	**63**
Originated or purchased	-	4	46	**-**	**50**
Derecognition as a result of disposal	-	(2)	(17)	**-**	**(19)**
Transfers to Stage 1	-	-	-	**-**	**-**
Transfers to Stage 2	-	-	-	**-**	**-**
Transfers to Stage 3	-	-	(1)	**-**	**(1)**
Foreign exchange translation differences and other movements	-	-	3	**-**	**3**
As at December 31, 2020	**-**	**24**	**72**	**-**	**96**

Movements in allowances for ECL on other financial assets for the year ended December 31, 2019 are presented below:

Other financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at January 1, 2019	-	**26**	**2**	-	**28**
Originated or purchased	-	2	40	-	**42**
Derecognition as a result of disposal	-	(6)	-	-	**(6)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Foreign exchange translation differences and other movements	-	-	(1)	-	**(1)**
As at December 31, 2019	**-**	**22**	**41**	**-**	**63**

The maximum credit risk for other financial assets as at December 31, 2020 and December 31, 2019 is equal to the net asset value of these assets, as reflected in the consolidated statement of financial position as other assets.

Other liabilities comprise:

	December 31, 2020	December 31, 2019
Other financial liabilities at amortized cost		
Settlements with suppliers	788	669
Settlements with suppliers	100	39
Long-term lease liabilities	10	38
Accrued expenses	26	18
Settlements with the personnel on payment	9	11
Deferred income	-	1
Total other financial liabilities	**933**	**776**
Other non-financial liabilities		
Liabilities on other taxes, except for income tax	4 138	242
Provisions for vacation pay	100	84
Total other non-financial liabilities	**4 238**	**326**
Total other liabilities	**5 171**	**1 102**

17. Amounts due to financial institutions

Amounts due to financial institutions at amortized cost comprise:

	December 31, 2020	December 31, 2019
Correspondent accounts of other banks	9 502	988
Total amounts due to financial institutions	**9 502**	**988**

As at December 31, 2020, the Group's largest share in the funds of financial institutions was balances on correspondent accounts attracted from the shareholder Bank Tejarat in the amount of 8 777 thousand BYN.

As at December 31, 2019, the Group's largest share in the funds of financial institutions was balances on correspondent accounts attracted from Nord European Bank JSC in the amount of 661 thousand BYN.

18. Amounts due to customers

Amounts due to customers at amortized cost comprise:

	December 31, 2020	December 31, 2019
Current accounts of legal entities	2 104	2 276

Current accounts of individuals	80	217
Total amounts due to customers	**2 184**	**2 493**

Breakdown of amounts due to customers by industry:

	December 31, 2020	**December 31, 2020**
Trade	382	1 075
Production	1 600	915
Individuals	81	218
Representative offices of foreign companies	34	39
Construction	29	38
Energetics	-	31
Other	58	177
Total amounts due to customers	**2 184**	**2 493**

19. Share capital

The Group's share capital is divided into ordinary shares. The nominal value of one share is 0.01 BYN. The total number of ordinary shares is 6,165,049 thousand units.

	Number of ordinary shares	**Nominal value of ordinary shares**	**Adjustment for inflation**	**Total share capital**
As at December 31, 2020 and 2019	6 165 049	0.01	127 325	**188 975**

The structure of the Bank's shareholders:

	December 31, 2020	**December 31, 2019**
Tejarat Bank, Islamic Republic of Iran	99.89%	99.89%
Joint Belarusian and British Venture CJSC LadaGrant, Republic of Belarus	0.11%	0.11%
Total	**100.00%**	**100.00%**

Share premium is the difference between the value of the paid-in shares issued by the Bank and their nominal value.

As at December 31, 2020 and December 31, 2019, all ordinary shares are fully paid, give the right to one vote, as well as the right to receive dividends and participate in their assets.

In accordance with IAS 29, the Bank's share capital was restated taking into account the purchasing power of the Belarusian ruble as at December 31, 2014 and amounted to 188 975 thousand BYN.

Share premium is the difference between the value of the paid-in shares issued by the Bank and their par value. As at December 31, 2020 and December 31, 2019, the share premium amounted to 61 thousand BYN.

20. Commitments and contingent liabilities

Loan commitments

In the course of its business in order to address the clients' needs the Bank uses financial instruments, which do not meet recognition criteria for the statement of financial position. These

instruments include commitments on loans, guarantees issued and similar commitments, involving varying degrees of credit risk.

The Bank's maximum exposure related to contingent financial liabilities and loan commitments, if the other party fails to fulfill its contractual obligations and all counterclaims and collateral lose value, is equal to the contractual amount of those instruments.

The Bank uses the same credit policy for contingencies, as it does for financial instruments recognized in the statement of financial position.

Loan commitments of the Group comprise:

	December 31, 2020	December 31, 2019
Loan liabilities		
Commitments to provide funds	263	-
Less allowance for loan commitments	-	-
Total loan commitments	**263**	**-**

Pension payments

The Bank's employees receive pension in accordance with the law of the Republic of Belarus. As at December 31, 2020 and December 31, 2019, the Group has no obligations for additional payments, pension medical care, insurance, pension benefits for current or former employees to be charged.

Legislation

Some provisions of the Belarusian economic and, in particular, tax legislation may have different interpretations and apply inconsistently. In addition, since management's interpretation of legislation may differ from possible official interpretations, and compliance with legislation may be challenged by regulatory authorities this can lead to additional taxes, fines, and other preventive measures. Management of the Group believes that the Group has made all necessary tax and other payments or charges. Supervisory authorities can check previous tax periods.

21. Interest income and expense

	the year ended 31 December 2020	the year ended 31 December 2019
Interest income on financial assets at fair value through other comprehensive income		
- securities	3 640	3 702
Interest income on financial assets at amortized cost		
- loans to customers	792	253
- amounts due from financial institutions and the National Bank of the Republic of Belarus	507	126
- securities	41	-
- other interest income	5 914	5 067
Total interest income	**10 894**	**9 148**
Interest expenses on financial liabilities at amortized cost		
- due to financial institutions	(3)	-
- due to customers	(2)	(8)
- other interest expenses	(37)	(4)
Total interest expense	**(42)**	**(12)**
Net interest income	**10 852**	**9 136**

22. Fee and commission income and expenses

	the year ended 31 December 2020	the year ended 31 December 2019
Fee and commission income		
- on transactions with clients	176	69
- on other transactions	1	1
Total fee and commission income	**177**	**70**
Fee and commission expenses		
- on opening and (or) keeping bank accounts	(84)	(42)
- on transactions with securities	(48)	(49)
- on transactions with bank payment cards	(4)	(6)
- on other transactions	-	(2)
Total fee and commission expenses	**(136)**	**(99)**
Net fee and commission expenses	**41**	**(29)**

23. Net foreign exchange income

	the year ended 31 December 2020	the year ended 31 December 2019
Income from foreign currency transactions	6 197	176
Expenses on foreign currency transactions	(1 441)	(1 924)
Total net income from transactions with foreign currency	**4 756**	**(1 748)**

	the year ended 31 December 2020	the year ended 31 December 2019
Trading transactions	525	260
Revaluation of foreign exchange items	4 231	(2 008)
Total net income from transactions with foreign currency	**4 756**	**(1 748)**

24. Net income arising from financial instruments at fair value through other comprehensive income

	the year ended 31 December 2020	the year ended 31 December 2019
Income from transactions with securities	67	1 185
Expenses on transactions with securities	(532)	(222)
Total net income from transactions with securities	**(465)**	**963**

25. Net other income

	the year ended 31 December 2020	the year ended 31 December 2019
Rental and lease payments	4 475	4 334
Gains on previously written off debts	-	3 314
Net income from disposal of property and equipment and other property	159	16

Other operating income	258	402
Net other income	**4 892**	**8 066**

26. Operating expenses

	the year ended 31 December 2020	**the year ended 31 December 2019**
Staff expenses	(2 851)	(2 840)
Taxes other than on income tax	(1 969)	(2 446)
Depreciation expenses	(916)	(857)
Expenses for deductions to the Social Protection Fund	(811)	(760)
Software expenses	(619)	(400)
Repair and maintenance costs	(523)	(775)
Impairment of property and equipment and investment property	-	(324)
Lease	(202)	(178)
Professional services expenses	(173)	(167)
Expenses on insurance	(83)	(79)
Protection expenses	(66)	(73)
Gifts, donations	(46)	(2)
Communications expenses	(26)	(28)
Transportation expenses	(12)	(25)
Hospitality	(1)	(5)
Marketing and advertising expenses	(1)	(1)
Other operating expenses	(1 343)	(876)
Total operating expenses	**(9 642)**	**(9 836)**

Other operating expenses for the year ended December 31, 2020, including expenses in the amount of 684 thousand BYN arising from impairment of investment property, expenses in the amount of 42 thousand BYN arising from the transfer of funds for cultural and recreational, sporting events and for other purposes, expenses in the amount of 27 thousand BYN incurred as a result of the depreciation of long-term assets held for sale, expenses in the amount of 16 thousand BYN incurred as a result of the accrual of remuneration to members of the Board of Directors of the Bank.

27. Risk management

In order to ensure positive financial results in the presence of uncertainty in the conditions of operations, forecasting the occurrence of risk events and taking measures to exclude or reduce their negative consequences, the Group has established a system of Risk management, which is a combination of risk management techniques, as well as organizational structure, strategy, policies, methodologies and procedures.

In accordance with the scale, market positions and structure of operations, the Group classifies the risks inherent in its activities, taking into account the materiality factor.

As part of unconditionally significant risks, the Group recognizes credit risk, liquidity risk, interest rate risk of the bank portfolio, market risks (interest and currency risks), operational risk, risk of loss of business reputation, strategic risk.

For the purpose of effective risk management, the Group has developed a system of authorities that allows to allocate responsibilities in this area between the Group's management bodies, committees, divisions and employees.

The subjects of the risk management system

The mandatory subjects of the risk management system, regardless of the type of risk, are: the Board of Directors, the Management Board, the Risk Committee, the Internal Audit Service, risk managers.

An obligatory subject of credit risk management systems, liquidity risk, interest rate risk of the bank portfolio and country risks is also the Financial Committee. The Credit Committee is an obligatory subject of the credit risk management system.

The Board of Directors is responsible for the overall approach to risk management, for the approval of the strategy and principles of risk management.

The responsibility of the Management Board is to monitor the risk management process in the Group.

The quality of risk management in the Bank is evaluated by the Internal Audit Service. The Internal Audit Service discusses the results of the inspections with management and presents its findings and recommendations to the Board of Directors.

Responsibilities for the organization of a risk management system are assigned to risk managers for managing certain types of risks.

Credit risk

Credit risk is the risk that the Group incurs losses as a result of non-fulfillment, untimely or incomplete performance by the debtor of financial obligations to the Group in accordance with the terms of the contract or legislation.

Identification, identification and assessment of credit risk are carried out through the conduct of primary and secondary expertise of loan projects. The primary examination in respect of the borrower - a legal entity, an individual entrepreneur, an individual is performed by the credit service. The creditworthiness assessment is carried out on the basis of information available to the Group about the willingness of the borrower to fulfill obligations, the ability to repay the loan and the availability of security that allows the Group to compensate for losses in the event of default by the debtor of the terms of the loan agreement. The primary examination of the counterparty bank is based on an assessment of its financial condition and the ability to timely and fully returns the funds provided to it and is carried out by the economic service.

Secondary expertise is made by the risk manager when considering a loan project, in addition, the borrower and the financed transaction are monitored, and the limits for counterparty banks are monitored.

Determination of an acceptable level of credit risk is carried out jointly by the Credit and Finance Committees.

The credit committee, taking into account the risk manager's decision, makes a decision to grant a loan, as well as to approve limits for counterparty banks.

The Finance Committee makes a decision on the classification of the debt by credit risk groups based on the risk manager's conclusion.

To manage credit risk, the Group uses such methods as diversification of the loan portfolio, provision for impairment, stress testing and others.

The maximum level of the Group's credit risk is reflected in the carrying value of financial assets in the statement of financial position. Reducing credit risk is carried out through collateral and other measures to improve the quality of loans.

Credit quality for cash and cash equivalents and amounts due from financial institutions and the National Bank of the Republic of Belarus

The table below presents an analysis of a credit quality for cash and cash equivalents and amounts due from financial institutions and the National Bank of the Republic of Belarus based on ratings assigned by the International Rating Agency S&P as at December 31, 2020.

As at December 31, 2020	B	No rating assigned	Total
Financial assets			
Cash and cash equivalents	1 151	6 023	**7 174**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	-	58	**58**
Securitized loans	12 873	66 113	**78 986**

The table below presents an analysis of a credit quality for cash and cash equivalents and amounts due from financial institutions and the National Bank of the Republic of Belarus based on ratings assigned by the International Rating Agency S&P as at December 31, 2019.

As at December 31, 2019	B	No rating assigned	Total
Financial assets			
Cash and cash equivalents	1 719	5 573	**7 292**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	-	2 411	**2 411**
Securitized loans	-	64 549	**64 549**

Credit quality on loans to customers

The table below presents an analysis of credit quality by classes of financial assets for loans to legal entities measured at amortized cost in consolidated statement of financial position by stages of impairment by credit ratings as at December 31, 2020 and December 31, 2019.

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	POCI	Total December 31, 2020
Loans to legal entities					
A	5 797	-	-	-	**5 797**
B	824	-	-	-	**824**
C	4 200	-	-	-	**4 200**
E	-	-	4 904	-	**4 904**
Total gross carrying amount to loans to legal entities	**10 821**	**-**	**4 904**	**-**	**15 725**
Allowance for ECL	-	-	4 651	-	**4 651**
Total loans to legal entities	**10 821**	**-**	**253**	**-**	**11 074**

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	POCI	Total December 31, 2019
Loans to legal entities					
A	1 854	-	-	-	**1 854**
B	1	-	-	-	**1**
E	-	-	4 914	-	**4 914**
Total gross carrying amount to loans to legal entities	**1 855**	**-**	**4 914**	**-**	**6 769**
Allowance for ECL	-	-	4 660	-	**4 660**
Total loans to legal entities	**1 855**	**-**	**254**	**-**	**2 109**

The table below presents an analysis of credit quality by class of financial assets for loans to individuals at amortized cost in consolidated statement of financial position and aging analysis by stages of impairment.

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	POCI	Total December 31, 2020
Loans to individuals					
Not past due	1 299	-	-	-	**1 299**
1-30 days	-	-	-	-	**-**
31-60 days	-	-	-	-	**-**
61-90 days	-	-	-	-	**-**
More than 90 days	-	-	-	-	**-**
Total gross carrying amount to loans to individuals	**1 299**	**-**	**-**	**-**	**1 299**
Allowance for ECL	-	-	-	-	**-**
Total loans to individuals	**1 299**	**-**	**-**	**-**	**1 299**

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	POCI	Total December 31, 2019
Loans to individuals					
Not past due	1 088	-	-	-	**1 088**
1-30 days	-	-	-	-	**-**
31-60 days	-	-	-	-	**-**
61-90 days	-	-	-	-	**-**
More than 90 days	-	-	-	-	**-**
Total gross carrying amount to loans to individuals	**1 088**	**-**	**-**	**-**	**1 088**
Allowance for ECL	1	-	-	-	**1**
Total loans to individuals	**1 087**	**-**	**-**	**-**	**1 087**

Liquidity risk

Liquidity risk is the risk that the Group incurs losses as a result of its inability to ensure the timely discharge of its obligations in full.

The daily calculation and current monitoring of compliance with the liquidity ratios established by the National Bank of the Republic of Belarus is carried out by the risk monitoring service, as well as by the economic service.

In order to effectively manage liquidity risk, the Group has developed a system of powers that allows the division of responsibility in this area between the management bodies, committees, divisions and employees of the Group. The liquidity risk management authority is distributed among all entities of the risk management system.

The Finance Committee determines the degree of liquidity risk on the basis of analytical reports submitted by the risk manager at least once a quarter. The Management Board monitors the degree of liquidity risk on the basis of information provided by the Finance Committee. The Internal Audit Service forms its own judgment on the level of liquidity risk and the quality of management approaches to the issue of liquidity risk management. The Board of Directors assesses the effectiveness of the liquidity risk management system, based on information received from the Management Board and the Internal Audit Service.

To manage liquidity risk, the Group uses the following methods: analysis of liquidity ratios, analysis of assets and liabilities by maturity, cash flow forecasting, stress analysis and others.

Analysis of financial liabilities by their remaining maturity

The following tables show an analysis representing the remaining maturity of financial liabilities, calculated for undiscounted cash flows on financial liabilities (principal and interest) at the earliest date when the Group will be required to repay the liability as of 31 December 2020 and 31 December 2019.

As at December 31, 2020	The cost as reflected in the statement of financial position	Undiscounted cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years	Term is not defined
Financial liabilities							
Financial liabilities carried at amortized cost							
Amounts due to financial institutions	*9 502*	*9 502*	*9 502*	-	-	-	-
Amounts due to customers	*2 184*	*2 184*	*2 184*	-	-	-	-
Other financial liabilities	933	933	933	-	-	-	-
Total potential future payments on financial liabilities	**12 619**	**12 619**	**12 619**	**-**	**-**	**-**	**-**

As at December 31, 2019	The cost as reflected in the statement of financial position	Undiscounted cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years	Term is not defined
Financial liabilities							
Financial liabilities carried at amortized cost							
Amounts due to financial institutions	*988*	*988*	*988*	-	-	-	-
Amounts due to customers	*2 493*	*2 493*	*2 493*	-	-	-	-
Other financial liabilities	776	792	741	9	42	-	-
Total potential future payments on financial liabilities	**4 257**	**4 273**	**4 222**	**9**	**42**	**-**	**-**

The Group does not apply the above analysis by maturities without regard to discounting for liquidity managements. Instead, the Group controls maturity terms of financial assets and financial liabilities as described in the tables below:

	2020				2019		
	Less than 1 year	More than 1 year	Term is not defined	Total	Less than 1 year	More than 1 year	Total
Financial assets							
Cash and cash equivalents	7 174	-	**-**	**7 174**	7 292	-	**7 292**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	58	-	**-**	**58**	2 411	-	**2 411**
Securitized loans	78 986	-	**-**	**78 986**	64 549	-	**64 549**
Loans to customers	2 182	10 191	**-**	**12 373**	1 102	2 094	**3 196**
Securities	3 815	35 552	**-**	**39 367**	835	45 318	**46 153**
Other financial assets	153	10	**-**	**163**	294	-	**294**
Total financial assets	**92 368**	**45 753**	**-**	**138 121**	**76 483**	**47 412**	**123 895**
Financial liabilities							
Financial liabilities at amortized cost							
Amounts due to financial institutions	*9 502*	-	-	***9 502***	*988*	-	***988***
Amounts due to customers	*2 184*	-	-	***2 184***	*2 493*	-	***2 493***
Other financial liabilities	933	-	-	**933**	747	29	**776**
Total financial liabilities	**12 619**	**-**	-	**12 619**	**4 228**	**29**	**4 257**
Total position	**79 749**	**45 753**	**-**	**125 502**	**72 255**	**47 383**	**119 638**

Market risk

Market risk includes interest rate risk of the trading portfolio, currency, stock and commodity risks.

Interest rate risk

Interest rate risk is the risk of obtaining a loss as a result of interest rate fluctuations.

Identification, identification, evaluation and monitoring of interest rate risk is carried out monthly in the process of comprehensive assessment by the risk manager of the Group of the structure of financial assets and liabilities, as well as analysis of changes in the size of gaps in maturities between interest-sensitive financial assets and liabilities.

Sensitivity analysis - interest rate risk

The change in interest rates by 5 percentage points at the reporting date increased/ (reduced) profit before tax and capital by the amounts indicated below. The analysis assumes that all other factors remain unchanged.

	December 31, 2020		December 31, 2019	
	The interest rate + 3 p.p.	**The interest rate - 1 p.p.**	**The interest rate + 5 p.p.**	**The interest rate - 5 p.p.**
Impact on profit before tax				
Instruments with floating interest rates	1 498	(499)	803	(803)
Impact on equity				
Instruments with floating interest rates	1 185	(312)	603	(603)

Currency risk

Currency risk is the risk of a potential loss as a result of the revaluation of balance sheet and off-balance sheet items denominated in foreign currency in connection with changes in foreign exchange rates.

An authorized person of the Group appointed by a decision of the Management Board with the authority to manage currency risk is a risk manager.

The Group conducts an analysis of the open currency position on a regular basis and regularly assesses the structure of assets and liabilities in terms of currencies in order to comply with the open currency position. This standard has been established by the National Bank of the Republic of Belarus in the amount of no more than 10% of the regulatory capital for each type of foreign currency.

The table below summarizes the analysis of the Group's financial assets and liabilities by currency as at December 31, 2020:

As at December 31, 2020	**BYN**	**USD**	**EUR**	**RUB**	**Other currencies**	**Total**
Financial assets						
Cash and cash equivalents	4 767	165	1 927	315	-	**7 174**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	58	-	-	-	-	**58**
Securitized loans	78 986	-	-	-	-	**78 986**
Loans to customers	1 297	11 076	-	-	-	**12 373**
Securities	20 369	3 082	15 916	-	-	**39 367**
Other financial assets	120	-	43	-	-	**163**
Total financial assets	**105 597**	**14 323**	**17 886**	**315**	**-**	**138 121**
Financial liabilities						
Financial liabilities at amortized cost						
Amounts due to financial institutions	*-*	*-*	*9 447*	*55*	*-*	***9 502***
Amounts due to customers	*158*	*26*	*1 951*	*49*	*-*	***2 184***
Other financial liabilities	932	-	1	-	-	**933**
Total financial liabilities	**1 090**	**26**	**11 399**	**104**	**-**	**12 619**
Total position	**104 507**	**14 297**	**6 487**	**211**	**-**	**125 502**

The table below summarizes the analysis of the Group's financial assets and liabilities by currency as at December 31, 2019:

As at December 31, 2019	BYN	USD	EUR	RUB	Other currencies	Total
Financial assets						
Cash and cash equivalents	1 853	918	1 371	3 147	3	**7 292**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	2 187	-	224	-	-	**2 411**
Securitized loans	64 549	-	-	-	-	**64 549**
Loans to customers	3 196	-	-	-	-	**3 196**
Securities	30 770	2 189	13 194	-	-	**46 153**
Other financial assets	254	-	40	-	-	**294**
Total financial assets	**102 809**	**3 107**	**14 829**	**3 147**	**3**	**123 895**
Financial liabilities						
Financial liabilities at amortized cost						
Amounts due to financial institutions	*-*	*-*	*918*	*70*	*-*	***988***
Amounts due to customers	*137*	*165*	*1 708*	*483*	*-*	***2 493***
Other financial liabilities	776	-	-	-	-	**776**
Total financial liabilities	**913**	**165**	**2 626**	**553**	**-**	**4 257**
Total position	**101 896**	**2 942**	**12 203**	**2 594**	**3**	**119 638**

Sensitivity analysis - currency risk

The following table presents an analysis of the Group's sensitivity to 20% weakening of the national currency against the US dollar, the euro and the Russian ruble. The analysis assumes that other factors, in particular interest rates, remain unchanged.

	December 31, 2020		December 31, 2019	
	20%	**-10%**	**10%**	**-10%**
Impact on profit before tax				
USD	2 859	(1 430)	294	(294)
EUR	1 298	(649)	1 220	(1 220)
RUB	42	(21)	259	(259)
Impact on gross income, including tax				
USD	2 144	(1 072)	221	(221)
EUR	973	(487)	915	(915)
RUB	32	(16)	195	(195)

The strengthening of the Belarusian ruble in relation to the rates of the above currencies would lead to an equally opposite effect, provided that the influence of all other factors remains unchanged.

Country risk

Country risk is the risk that the Group incurs losses as a result of non-fulfillment by foreign counterparties of liabilities due to economic, political and social changes in the country of the counterparty.

Integrated management of country risk allows to ensure the safety of the Group's assets located outside the Republic of Belarus.

The identification and identification of country risk is carried out by collecting, summarizing and systematizing information on the political and economic situation in the states where the main counterparties and customers of the Group are residents.

Monitoring of the country risk level is carried out by the risk manager on an ongoing basis by tracking changes in significant political and economic indicators, monitoring compliance with limits on the allocation of funds in individual countries and groups of countries.

In order to forecast changes in the country's risk, the Group carries out stress testing, the essence of which is to assess the impact of the Group's exposure to the factors inherent in the country risk.

The following is a geographical analysis of the Group's assets and liabilities as at December 31, 2020 and as at December 31, 2019:

(thousands of Belarusian rubles)

As at December 31, 2020	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	5 929	-	1 245	**7 174**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	58	-	-	**58**
Securitized loans	78 986	-	-	**78 986**
Loans to customers	12 373	-	-	**12 373**
Securities	39 367	-	-	**39 367**
Other financial assets	163	-	-	**163**
Total financial assets	**136 876**	**-**	**1 245**	**138 121**
Financial liabilities				
Financial liabilities at amortized cost				
Amounts due to financial institutions	*-*	*-*	*9 502*	***9 502***
Amounts due to customers	*153*	*46*	*1 985*	***2 184***
Other financial liabilities	933	-	-	**933**
Total financial liabilities	**1 086**	**46**	**11 487**	**12 619**
Total position	**135 790**	**(46)**	**(10 242)**	**125 502**

As at December 31, 2019	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	5 813	-	1 479	**7 292**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	2 411	-	-	**2 411**
Securitized loans	64 549	-	-	**64 549**
Loans to customers	3 196	-	-	**3 196**
Securities	46 153	-	-	**46 153**
Other financial assets	294	-	-	**294**
Total financial assets	**122 416**	**-**	**1 479**	**123 895**
Financial liabilities				
Financial liabilities at amortized cost				
Amounts due to financial institutions	*-*	*-*	*988*	***988***
Amounts due to customers	*294*	*24*	*2 175*	***2 493***
Other financial liabilities	776	-	-	**776**
Total financial liabilities	**1 070**	**24**	**3 163**	**4 257**
Total position	**121 346**	**(24)**	**(1 684)**	**119 638**

Operational risk

Operational risk is the risk of direct or indirect costs arising from various causes associated with banking processes, personnel, technology and infrastructure, as well as external factors other than credit, market and liquidity risk factors, such as legal requirements and accepted Standards of corporate behavior. Operational risks arise as a result of all operations of the Group and affect all business entities.

Operational risk management is not considered by the Group as an independent type of management activity, but is included in a comprehensive banking risk management system.

When identifying and identifying operational risk, internal and external factors that contribute to its occurrence are taken into account.

The assessment of operational risk involves an assessment of the likelihood of operational incidents, and an estimate of the potential loss (the difference between the losses that could have been incurred because of the operational incident and the losses incurred because of the confluence of circumstances).

Monitoring of operational events is carried out on a permanent basis by responsible employees of the Group's structural units. In addition to monitoring operational losses, the Group regularly monitors the

parameters and thresholds of established criteria – early warning indicators, which facilitates the timely identification of potential sources of operational risk.

Monitoring compliance with established rules and procedures for managing operational risk is carried out within the internal control system.

The assessment of the quality of operational risk management is assessed at least once a year by the internal audit department by calculating an indicator of the quality of operational risk management.

28. Capital management

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

The Group's Management reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the Bank's own regulatory funds with a quantified assessment of the risks it undertakes. The Management of the Group reviews capital ratio adequacy and exposure to risks of each assets levels.

Under the current capital requirements set by National Bank of the Republic of Belarus, banks must maintain a ratio of regulatory capital to risk-weighted assets ("regulatory capital adequacy ratio") above a prescribed minimum level (10%). The table below shows the regulatory capital based on information prepared in accordance with the requirements of the national accounting standards:

	December 31, 2020	**December 31, 2019**
Basic capital	176 517	165 034
Additional capital	6 366	9 981
Total regulatory capital	**182 883**	**175 015**
Risk-weighted assets	444 800	322 712
Regulatory capital adequacy ratio	**41.1**	**54.2**

29. Fair value of financial instruments

Fair value is defined as the price at which the instrument can be exchanged as part of the current transaction between independent interested parties willing to enter into a transaction on market terms, other than forced sale or liquidation. The best confirmation of fair value is the quotation of a financial instrument in an active market. Since for most of the Group's financial instruments there is no liquid market, their fair value must be determined on the basis of current market conditions and specific risks associated with a particular instrument. The estimates presented below may not correspond to the amounts that the Group is able to obtain from the market sale of the entire available package of a particular instrument.

The table below provides an analysis of financial instruments presented at fair value at the end of the reporting period, by the level according to the classification above:

Financial assets/financial liabilities	**Fair value at**		**Fair value hierarchy**	**Valuation techniques and key source data**
	December 31, 2020	**December 31, 2019**		
Derivative financial assets at fair value though profit or loss (forward contracts on securities)	-	-	Level 2	Discounted cash flows. As rates are used the rates on financial instruments with a similar level of risk, denominated in the respective currency and with the corresponding maturity.
Securities measured at fair	38 827	46 153	Level 2	Discounted cash flows. As rates are

value through other comprehensive income	used the rates on financial instruments with a similar level of risk, denominated in the respective currency and with the corresponding maturity.

There was no reclassification of financial instruments between levels during the year. The Group estimates the fair value of financial assets and financial liabilities is not materially different from their carrying value.

The table below shows the carrying values and fair values of financial assets and liabilities:

	December 31, 2020		December 31, 2019	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	7 174	7 174	7 292	7 292
Amounts due from financial institutions and the National Bank of the Republic of Belarus	58	58	2 411	2 411
Securitized loans	78 986	78 986	64 549	64 549
Loans to customers	12 373	12 373	3 196	3 196
Securities	39 367	39 367	46 153	46 153
Other financial assets	163	163	456	456
Total financial assets	**138 121**	**138 121**	**124 057**	**124 057**
Financial liabilities				
Amounts due to financial institutions	9 502	9 502	988	988
Amounts due to customers	2 184	2 184	2 493	2 493
Other financial liabilities	933	933	776	776
Total financial liabilities	**12 619**	**12 619**	**4 257**	**4 257**

For financial assets and liabilities carried at fair value with short maturity, it is assumed that the carrying amount approximates fair value. This assumption is also applied to demand deposits, current accounts which are without a maturity.

30. Related party transactions

Related parties are the shareholders of the Group who have significant influence over the activities of the Group, as well as key management personnel, their close relatives and controlled by the listed parties or associates.

The amounts included in the consolidated statement of financial position for transactions with related parties are as follows:

	December 31, 2020	**December 31, 2019**
Loans to customers	108	128
Other assets	2	-
Total assets	**110**	**128**

	December 31, 2020	**December 31, 2019**
Amounts due to financial institutions	8 777	661
Total liabilities	**8 777**	**661**

The amounts included in the consolidated statement of comprehensive income on transactions with related parties are as follows:

	the year ended December 31, 2020	the year ended December 31, 2019
Interest income and expenses:		
Interest income	13	10
Interest expenses	-	-
Total interest income and expenses	**13**	**10**
Fee and commission income and expenses:		
Fee and commission income	10	9
Fee and commission expense	-	-
Total fee and commission income and expenses	**10**	**9**

	the year ended December 31, 2020	the year ended December 31, 2019
Compensation to key management personnel	**1 262**	**1 286**

31. Events after the reporting date

The international rating agency Standard & Poor's on March 22, 2021 assigned the Republic of Belarus long-term and short-term sovereign credit ratings for liabilities in foreign and national currency at the "B" level with "negative" outlook.

In the period between the reporting date and the date of signing the statements, the refinancing rate on April 21, 2020 was increased by the National Bank from 7.75% to 8.50%.

The official exchange rate of the Belarusian ruble against the US dollar for the period from December 31, 2020 to May 20, 2021 decreased by 2.44%.

By the decree of the Judicial Chamber on Economic Cases of the Supreme Court of the Republic of Belarus dated April 13, 2021 in case No.238-28/A/K, the decision of the Economic Court of Minsk on October 28, 2020 and the determination of the appeals instance of this court dated February 18, 2020 were left unchanged, and the cassation appeal of CJSC "Alfa-Bank" was dismissed (for reference: the decision of the Economic Court of the city of Minsk dated October 28, 2020 in case No.238-28/2020 refused to satisfy plaintiff's claims of CJSC "Alfa-Bank" against CJSC "TC Bank" and "ISTVILTRADE" LLC on establishing the fact of nullity of settlement agreement dated January 1, 2017 and the agreement concluded between the pledgeholder and the pledgor on the enforcement of charge).