Reshenie Bank Joint-Stock Company

Financial statements
for the year ended 31 December 2019

May 2019

This document contains 77 pages

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Translation from the original into English

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Supervisory Board, Management of Reshenie Bank Joint-Stock Company,
To the National Bank of the Republic of Belarus

Ref. number: 04-05/66
Date: 22 May 2020

Information about the auditee:

Name: Reshenie Bank Joint-Stock Company (abbreviated Bank's name – R-Bank JSC)
Location: 11 Ignatenko Str., 220035, Minsk, Republic of Belarus
Information on the state registration: Reshenie Bank Joint-Stock Company is registered upon the decision of the National Bank of the Republic of Belarus dated 09 November 1994, registration number 53
Payer's identification number: 100789114

Opinion

We have audited the accompanying financial statements of R-Bank JSC (hereinafter – "the Bank"), which comprise:

- The statement of financial position as at 31 December 2019;
- The statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and
- Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of R-Bank JSC present fairly in all material respects the financial position of R-Bank JSC as at 31 December 2019, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereinafter – "IFRSs").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report.

We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Each matter specified below includes the information on how the corresponding matter had been addressed during our audit.

We met all the obligations described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report including those related to the matters specified. Therefore, our audit engaged implementation of the procedures elaborated in response to our risk assessment of material misstatements in the financial statements. The results of audit procedures, including those performed while considering the matters referred to below, form the basis for our opinion on the accompanying financial statements.

Allowance for impairment of loans to customers, as well as allowance for credit related commitments

Due to the materiality of the allowance for impairment of loans to customers and credit related commitments for the financial position of the Bank, as well as due to the complexity and necessity of applying judgements in estimating expected credit losses in accordance with IFRS 9 "Financial Instruments" (hereinafter - "IFRS 9"), this matter is a key audit matter.

In order to determine a significant increase in credit risk from the date of initial recognition, both on an individual and on a portfolio basis, and to calculate expected credit losses judgment must be applied. The assessment of the increase in credit risk is based on the relative change in credit ratings, the length of past due debt and other objective and subjective factors. The selection of thresholds at which the increase in credit risk is considered significant, such as the amount of credit rating deterioration, is also subjective.

During our audit, we paid particular attention to the following:

- assessment of the credit risk models and assumptions used to determine the key parameters of the reservation and expected credit losses for the portfolio;
- assessment of Management's judgment on the identification of significant increases in credit risk on an individual and portfolio basis, using quantitative and qualitative criteria;
- testing expected future cash flows, including collateral cash flows, with respect to significant impairment loans to customers and credit related commitments.

Our audit procedures included an assessment of the methodology for calculating expected credit losses developed by the Bank in accordance with IFRS 9 to assess allowances for impairment of loans to customers and credit related commitments.

The calculation of estimated credit losses includes valuation methodologies that use significant unobservable inputs and factors, such as internal credit ratings, as well as complex statistical modelling and expert judgment. These methodologies are used to determine the probability of default, the value of the credit claim under the risk of default and the level of loss in case of default on the basis of available historical data and external information adjusted to projections, including projected macroeconomic variables.

Key audit matters (ending)

The calculation of expected credit losses for significant financial assets that have been impaired on a case-by-case basis requires analysis of financial and non-financial information and a broad use of assumptions. Estimation of future cash flows is based on significant inputs unobservable on the market such as current and projected borrower financial performance, collateral cost and probability assessment of possible scenarios. The use of other modeling methodologies, assumptions and projections may lead to substantially different estimates of the allowance for expected credit losses.

Information about the allowance for expected credit losses in respect of loans to customers and credit-related commitments is provided in Note 9 "Loans to customers", Note 34 "Contingent assets and liabilities", and Note 36 "Risk management" to the financial statements.

We have assessed the reasonableness of the credit risk factors and thresholds selected by Management to determine a significant increase in credit risk on an individual and portfolio basis. We have evaluated the consistency of the application of criteria selected by Management at the reporting date.

When testing the impairment calculated on a portfolio basis, we have analyzed the underlying statistical models, key inputs and assumptions, used to calculate expected credit losses. For selected material loans, we have checked internal credit ratings, credit risk factors and stage classification. With respect to our selection of material impaired corporate loans, we, together with valuation experts, have reviewed assumptions about future cash flows, including the cost of collateral and probability of possible scenarios. We have reviewed the results of the Bank's subsequent testing of the models used for IFRS 9.

We have also examined the disclosure in the Bank's financial statements regarding the allowance for expected credit losses on loans to customers and credit related commitments.

Responsibilities of the Auditee for the Preparation of the Financial Statements

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

In preparing the financial statements, the Management is responsible for assessing the ability of the auditee to continue as a going concern and the appropriateness of applying the going concern principle, as well as the proper disclosure in the financial statements, where appropriate, of information on going concern.

Those charged with governance, including the Bank's Audit Committee, are responsible for overseeing the auditee's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements are free from material misstatement, whether due to fraud and (or) error, and to issue an auditor's report that includes our opinion expressed in the prescribed form. Reasonable assurance forms a high level of assurance, but it does not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise due to fraud and (or) error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of the users of these financial statements taken on its basis.

As part of audit conducted in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud and (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 the internal control system relevant to the audit of the financial statements 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 system;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures of the financial statements made by the auditee;
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the auditee's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements. or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the auditee to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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Auditor's Responsibilities for the Audit of the Financial Statements (ending)

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

From the matters communicated with those charged with governance, we determine the key audit matters and describe these matters in our auditor's report (unless law or regulation precludes public disclosure about the matter or when we determine that the adverse consequences of such disclosure would reasonably be expected to outweigh the public interest benefits of such communication).

Deputy Director for Audit, Engagement Partner ________ Natalia Lyakhovchenko

Auditor-in-charge ________ Ekaterina Zhiznevskaya

Auditor's report date: 22 May 2020
Place of issue: Minsk, Republic of Belarus
Date of receipt by the auditee: 22 May 2020

Position, Full name Borichevskaya V.S. Signature________

INFORMATION ABOUT THE AUDITOR:

Name:	BDO Limited Liability Company
Location:	103 Pobediteley ave., floor 8, office 7, Minsk, 220020, Republic of Belarus
Information on the state registration:	Certificate on the state registration was issued by Minsk City Executive Committee dated 15 November 2013
Payer's identification number:	190241132

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management of R-Bank JSC is responsible for the preparation of financial statements of the Bank. The financial statements on pages 10 to 77 represent fairly the financial position of the Bank as at 31 December 2019, the results of its operations and cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards (hereinafter – "IFRSs").

The Management of the Bank confirms that proper accounting principles had been consistently applied during the reporting period. Reasonable and prudent judgments and estimates have been made in the preparation of the financial statements of the Bank. The Management also confirms that financial statements have been prepared on a going concern basis.

The Management of the Bank is responsible for proper accounting, taking necessary measures to protect the property of the Bank and detecting and preventing instances of fraud and other abuse. The Management of the Bank is also responsible for the management of the Bank in accordance with the legislation of the Republic of Belarus, including the rules established by the National Bank of the Republic of Belarus (hereinafter – "the National Bank").

The financial statements for the year ended 31 December 2019 are authorized for issue on 22 May 2020 and are signed on behalf of the Management of the Bank.

On behalf of the Management of the Bank:

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
22 May 2020

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	7	35,198	40,653
Due from banks	8	3,941	2,800
Loans to customers	9	128,101	113,736
Financial assets measured at fair value through profit or loss	10	-	7
Financial assets measured at fair value through other comprehensive income	11	22,132	34
Investment property	12	292	235
Property and equipment and intangible assets	13	13,640	14,574
Right-of-use assets	14	261	-
Other assets	15	4,992	2,742
TOTAL ASSETS		**208,557**	**174,781**
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	16	9,293	7
Due to customers	17	129,272	106,922
Debt securities issued	18	10,030	9,748
Finance lease debt	19	-	137
Subordinated loans	20	14,314	14,696
Lease liabilities	21	261	-
Other liabilities	22	2,813	1,445
Total liabilities		**165,983**	**132,955**
Equity			
Share capital	23	73,639	73,639
Revaluation reserve for financial assets measured at fair value through other comprehensive income		(213)	(536)
Unrecovered loss		(30,852)	(31,277)
Total equity		**42,574**	**41,826**
TOTAL LIABILITIES AND EQUITY		**208,557**	**174,781**

The accompanying notes on pages 16 to 77 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
22 May 2020

STATEMENT OF COMPREHENSIVE INCOME

	Note	2019	2018
Interest income		15,061	12,710
Interest expenses		(6,499)	(5,081)
Net interest income	24	**8,562**	**7,629**
Commission income		7,984	6,343
Commission expenses		(3,144)	(2,149)
Net commission income	25	**4,840**	**4,194**
Net gain from transactions with financial assets measured at fair value through profit or loss	26	(38)	36
Net gain from foreign currency transactions	27	1,838	1,215
Net gain on operations with financial instruments at amortized cost	28	30	7
Net gain on operations with precious metals and gemstones	29	-	127
Net (accrual) / recovery of allowances for other assets, including:		(611)	(122)
Net (accrual) / recovery of allowances for credit related commitments	34	*(325)*	*62*
Net (accrual) / recovery of allowances for the impairment of inventories	15	*(286)*	*(184)*
Net other income	30	1,434	1,406
Total operating income		**16,055**	**14,492**
Net (accrual) / recovery of allowance for impairment of financial assets:	7, 8, 9, 10, 11, 15	(1,969)	550
Personnel expenses	31	(7,217)	(6,537)
Amortization/Depreciation	12, 13, 14	(1,510)	(1,378)
Administrative expenses	32	(4,862)	(5,430)
Profit before tax		**497**	**1,697**
Income tax expense	33	(72)	(287)
Net profit for the year		**425**	**1,410**

	Note	2019	2018
Other comprehensive income that will be subsequently reclassified to profit or loss			
Net change in the fair value of financial assets measured through other comprehensive income		-	(536)
Change in allowance for expected credit losses on financial assets measured at fair value through other comprehensive income		323	-
Total other comprehensive income that will be subsequently reclassified to profit or loss		**323**	**(536)**
TOTAL COMREHENSIVE INCOME		**748**	**874**
Basic earnings per ordinary share	23.1	0.0290	0.1065

The accompanying notes on pages 16 to 77 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
22 May 2020

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Revaluation reserve for financial assets measured at fair value through other comprehensive income	Unrecovered loss	Total Equity
Balance as at 31 December 2017		**69,456**	**-**	**(30,379)**	**39,077**
Effect of the application of IFRS 9		-	-	(2,308)	(2,308)
Balance as at 31 December 2017		**69,456**	**-**	**(32 687)**	**36,769**
Total comprehensive income		**-**	**(536)**	**1,410**	**874**
Net profit for the year		-	-	1,410	1,410
Other comprehensive expenses for the year	11	-	(536)	-	(536)
Transactions with owners, recognized directly in equity	23	**4,183**	**-**	**-**	**4,183**
Contributions to the share capital		4,183	-	-	4,183
Balance as at 31 December 2018		**73,639**	**(536)**	**(31,277)**	**41,826**
Effect of the application of IFRS 16	4	-	-	-	-
Balance as at 31 December 2018		**73,639**	**(536)**	**(31,277)**	**41,826**
Total comprehensive income		**-**	**323**	**425**	**748**
Net profit for the year		-	-	425	425
Other comprehensive expenses for the year	11	-	323	-	323
Transactions with owners, recognized directly in equity	23	**-**	**-**	**-**	**-**
Contributions to the share capital		-	-	-	-
Balance as at 31 December 2019		**73,639**	**(213)**	**(30,852)**	**42,574**

The accompanying notes on pages 16 to 77 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
22 May 2020

STATEMENT OF CASH FLOWS

	Note	2019	2018
Cash flow from operating activities:			
Interest income received		14,058	12,628
Interest expenses paid		(6,274)	(4,910)
Commission income received		8,347	6,704
Commission expenses paid		(2,948)	(2,139)
Realized results of foreign exchange, precious metals and gemstones operations		1,856	2,378
Realized results of operations with financial assets measured at fair value through profit or loss		35	163
Other income received		1,946	1,690
Personnel expenses paid		(7,217)	(6,537)
Administrative expenses paid		(4,827)	(5,408)
Cash flows from operating activities before changes in operating assets and liabilities		**4,976**	**4,569**
Increase/(decrease) in operating assets			
Due from banks		(878)	(526)
Loans to customers		(17,210)	(12,093)
Financial assets measured at fair value through other comprehensive income		(21,659)	-
Other assets		(5,095)	398
Increase/(decrease) in operating liabilities:		-	-
Due to banks		8,511	(9,535)
Due to customers		26,310	19,027
Debt securities issued	19	521	2,774
Other liabilities		411	(351)
Net cash flows from operating activities before tax		**(4,113)**	**4,263**
Income tax paid		(120)	(299)
Net cash flow from operating activities		**(4,233)**	**3,964**
Cash flow from investing activities:			
Acquisition of property and equipment and intangible assets		(1,285)	(1,439)
Purchase of property and equipment and intangible assets		881	737
Acquisition of financial assets measured at amortized cost		(157,680)	(39,126)
Repayment of financial assets measured at amortized cost		157,680	44,999
Net cash flow from investing activities		**(404)**	**5,171**
Cash flow from financing activities			
Payments in respect of the principal amount of the lease liability	14, 21	(277)	-
Share issue	23	-	4,183

	Note	2019	2018
Net cash flow from financing activities		**(277)**	**4,183**
Net increase/ (decrease) in cash and cash equivalents		**(4,914)**	**13,318**
Effect of changes in foreign exchange rates on cash and cash equivalents		(389)	377
Cash and cash equivalents at the beginning of the year	7	**40,955**	**27,260**
Cash and cash equivalents at the end of the year	7	**35,652**	**40,955**

The accompanying notes on pages 16 to 77 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
22 May 2020

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Reshenie Bank Joint-Stock Company (hereinafter – the "Bank") is a commercial bank established on 09 November 1994 as a closed joint stock entity with participation of foreign capital in accordance with the legislation of the Republic of Belarus.

The previous name of the Bank is Closed Joint-Stock Company "Trustbank". The Bank was renamed on 08 June 2016 in accordance with the decision of the General Meeting of Shareholders. The Bank operates under a general license of the National Bank No. 14 to conduct banking operations dated 08 June 2016.

The Bank has a license to carry out professional and exchange activities on securities issued by the Ministry of Finance of the Republic of Belarus No. 02200/5200-246-1099, on 14 April 1995, as well as license to carry out activities related to precious metals and gemstones issued by the Ministry of Finance of the Republic of Belarus No. 02200/21-00055 on 17 March 2004, as well as license to carry out security activities by the Ministry of Internal Affairs of the Republic of Belarus No. 33030/355 on 21 September 1999.

The Bank was established as a universal bank for commercial and retail banking operations on the territory of the Republic of Belarus. The main activities of the Bank are the provision of corporate loans, loans to small and medium-sized businesses and individuals; raising resources in deposits from non-banking and banking organizations and individuals; maintenance of customer accounts; provision of guarantees and letters of credit; operations with cash and settlements operations, operations with securities, currencies and precious metals.

The Bank's registered legal address is 11 Ignatenko Str., 220035, Minsk, Republic of Belarus

The average listed number of employees of Bank as at 31 December 2019 was 288 people (as at 31 December 2018 – 303 people).

The information on the shareholders of the Bank is presented below:

	Share (%) 2019	Share (%) 2018
Joint venture "Intersportproekt" Limited (Republic of Belarus)	18.3	24.0
Joint venture "Saturn-Info" Limited (Republic of Belarus)	13.4	13.4
Alm Investments FZE (United Arab Emirates Free Zone Ras Al Khaimah, Ras A1 Khaimah)	68.3	62.6
Total	**100.0**	**100.0**

The ultimate controlling owner of the Bank as at 31 December 2019 and 31 December 2018 is Mohammad Ahmad Salem Khalifa Alzaraim Al Suwaidi, resident of UAE, Dubai.

2. ECONOMIC ENVIRONMENT IN WHICH THE BANK OPERATES

Annual inflation in the consumer sector in 2019 amounted to 4.7% per annum, which is 0.9% less than in 2018. In general, consumer inflation has been at the lowest level in history for 3 years in the Republic of Belarus. The main growth in the consumer price index was provided by food products and services. The price index for non-food products decreased slightly.

The reason for low inflation in 2017-2019 is the tight monetary policy in Belarus, which resulted in financial exchange rate stability in the country.

The average weighted exchange rate of the Belarusian ruble in the exchange market of the Republic of Belarus against the Russian ruble in January-December 2019 was at 3.2303 rubles per 100 Russian rubles; against the US dollar – 2.0887 rubles for 1 US dollar, against Euro – 2.3342 rubles for 1 Euro.

In the light of the unfolding inflation rate, the National Bank reduced the refinancing rate twice in 2019: from August 14 – from 10% to 9.5% per annum, from November 20 – from 9.5% to 9% per annum. From November 20, the overnight loan rate was reduced from 10.75% to 10% per annum, and the overnight deposit rate was reduced from 8.25% to 8% per annum.

The average monthly rate of the one-day interbank market in December 2019 was 9.19% per annum (in comparison with 10.82% per annum in December 2018).

Requirements of banks and the Development Bank to the economy in national currency as at 1 January 2020 amounted to 28,046.7 million rubles and increased by 14.3% since the beginning of 2019, in foreign currency as at 1 January 2020 amounted to 12,750.1 million US dollars and increased by 10.1% since the beginning of 2019.

In 2019, the population of the Republic of Belarus increased the volume of both ruble and currency term (irrevocable) deposits in the country's banks.

The volume of term deposits of individuals in Belarusian rubles for 2019 increased by 1.121 billion rubles or 27.9% from 4.011 billion rubles as at 1 January 2019 to 5.131 billion rubles as at 1 January 2020. The volume of term deposits of individuals in foreign currency for 2019 increased by 118.5 million US dollars or 1.94% from 6.098 billion US dollars as at 1 January 2019 to 6.216 billion US dollars as at 1 January 2020.

The value of the broad money supply as at 1 January 2020 amounted to 48,509.7 million rubles. The broad money supply has increased by 12.2% since the beginning of 2019. The ruble money supply as at 1 January 2020 amounted to 21,523.3 million rubles and increased by 27.4% as compared to the beginning of 2019.

The volume of cash in circulation as at 1 January 2020 increased by 24% as compared to 1 January 2019 and amounted to 3,708.3 million rubles.

In 2019, the GDP growth was 1.2%, which is three times worse as compared to last year. The reason for the slowdown in the Belarusian economy was a slowdown in all major activities, except agriculture. The largest decline was shown by the manufacturing industry – its contribution to the GDP growth reduced almost 14 times over the past year. Within this framework, information and communication industries, which accounted for almost half of the GDP growth this year, became the leaders in terms of contribution to the GDP growth.

In November 2019, the industry accelerated growth after three months of slowdown. The main contribution to the improvement of industrial production indicators was made by the vehicle manufacturing industry, metallurgy and food production. However, the growth of industrial production is provided by the growth of warehouse inventory. The decline occurred in the production of machinery and equipment, chemical production, and oil refining industry.

In December, resident enterprises of the Republic of Belarus became net buyers of foreign currency, but through the loan from the China Development Bank, gold and foreign exchange reserves of the Republic of Belarus rose to almost 9.4 billion US dollars, setting a record in the country's history.

The employment rate of the population of the Republic of Belarus (the ratio of the number of employed people to the population aged 15-74) in the fourth quarter of 2019 was 67.7%, the unemployment rate (in accordance with the methodology of the International Labour Organization) — 4% of the labor force.

Real disposable income of the population of the Republic of Belarus in 2019 amounted to 106% of the level of 2018. In the total amount of income, payroll accounts for 64.2%, income from business and other income-generating activities — 7.8%, transfers to the population (pensions, allowances, scholarships and other transfers to the population) — 23.3%, property income and other income — 4.7%.

The national debt of the Republic of Belarus as at 1 January 2020 amounted to 44.8 billion rubles and decreased compared to the beginning of 2019 by 0.6 billion rubles, or by 1.3%. External national debt as at 1 January 2020 amounted to 17.1 billion US dollars, having increased since the beginning of the year by 0.2 billion US dollars (taking into account exchange differences), or by 1.4%. Internal national debt as at 1 January 2020 amounted to 8.8 billion rubles, having decreased since the beginning of the year by 0.1 billion rubles (taking into account exchange differences), or by 1.5%.

In 2019, domestic foreign currency government bonds for legal entities and individuals were placed in the amount of 771.2 million US dollars. Currency and ruble government bonds for legal entities and individuals in the amount of 604.3 million US dollars and 227.2 million rubles were repaid.

These financial statements reflect Management's current assessment of the effects that the economic situation has on the activity and the financial position of the Bank. Future economic development in the Republic of Belarus depends to a large extent on the effectiveness of the measures taken by the government and other factors including regulatory and political events beyond the control of the Bank. The Management of the Bank is unable to predict the impact that these factors may have on the Bank's financial condition. The accompanying financial statements do not include the adjustments related to this risk.

It should be noted that the World Health Organization on 11 March 2020 declared an outbreak of coronavirus infection COVID-19 a pandemic. Also, since March 2020, there has been significant volatility in the stock, currency and commodity markets, including a drop in oil prices and a depreciation of the ruble against the US dollar and the euro.

The Bank considers these facts as a non-corrective event after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence (a detailed description is provided in the Note 41 "Subsequent Events").

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of Compliance

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

Going concern

These financial statements have been prepared upon the assumption, that the Bank will continue as a going concern.

As at 31 December 2019 the National Bank of the Republic of Belarus requires to maintain the size of regulatory capital at a minimum level of 57,410 thousand Belarusian rubles (hereinafter – "thousand rubles") in relation to the minimum regulatory capital calculated based on the accounting records prepared in accordance with Belarusian legislation for banks, which can perform banking operations stipulated by Part 1 Article 14 of the Banking Code of the Republic of Belarus.

According to the results of the annual financial statements of 2019 prepared in accordance with the Belarusian legislation, the regulatory capital of the Bank as at 31 December 2019 amounted to 59,119 thousand rubles.

For the year ended 31 December 2019, the Bank earned a profit in the amount of 425 thousand rubles.

Functional and reporting currency

The Belarusian ruble is the functional currency of the Bank. These financial statements are presented in thousands of Belarusian rubles (unless otherwise specified).

Use of estimates and assumptions

Preparation of financial statements in accordance with IFRSs requires the Management of the Bank to develop estimates and assumptions affecting the reported amounts of assets and liabilities of the Bank, to disclose contingent assets and liabilities as at the reporting date and the reported amounts of income and expenses for the reporting period. Estimates and related assumptions are based on historical information and other factors that are reasonable where the value of assets and liabilities in the statement of financial position cannot be defined in another way. Although Management estimates and assumptions are based on knowledge of the current situation and operations of the Bank, actual results may differ from these estimates.

Estimates and key assumptions are revised on an ongoing basis. Revision of accounting estimates is recognized in the periods in which the estimates are revised and in future periods to which they relate.

Allowance for impairment

Classification of financial assets

Assessment of the business models that are applied to the assets and an assessment of whether the contractual terms of the financial asset are solely a payment of the principal amount of the debt and interest on the principal amount of the debt, is disclosed in Note 5 "Significant Accounting Policies".

Measurement of the estimated allowance for expected credit losses (ECL)

Measurement of the estimated allowance for expected credit losses for financial assets measured at amortized cost and measured at fair value through other comprehensive income (hereinafter - "FVTOCI") is an area that requires complex models and significant assumptions about future economic conditions and credit behavior (e.g. the probability of default of customers and arising losses). A number of material judgments are also required when applying accounting requirements for ECL measurement, such as:

- Determination of criteria for significant increase in credit risk;
- Selection of suitable models and assumptions for ECL measurement;
- Setting the number and relative weights of future scenarios for each product/market type and the corresponding ECL; and
- Creation of groups of homogeneous financial assets for ECL valuation purposes.

Initial data for estimating expected losses

The main baseline data for estimating expected credit losses are the temporary structures of the following variables:

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

These indicators are derived from statistical models, other historical data and available sources of information used by the Bank.

Estimates of probability of default (PD) are estimates on a given date that are calculated on the basis of rating models and are evaluated using estimation tools, adapted to different categories of counterparties and positions exposed to credit risk. Where possible, the Bank uses external data. The probability of default is estimated taking into account the contractual maturities of the positions exposed to credit risk. If there are default events, the PD is set in the amount of 100%. In order to improve the quality of credit risk assessment, PD is adjusted to take into account the impact of macroeconomic factors.

The amount of loss given default (LGD) is the amount of probable loss given default, taking into account the repayment of the debt when the default event occurs. Recoverability (RR) is determined based on information on the receipt of cash when implementing collateral for debt by analyzing historical repayments for defaulted debt, or by a combination of calculation methods.

The exposure at default (EAD) is the expected value of the position exposed to credit risk on the date of default. This indicator is calculated by the Bank on the basis of the current value of EAD and its possible changes permitted under the contract, including depreciation/amortization and early repayment. For a financial asset, the value of the EAD is the gross book value in the event of default.

As described above, provided that a maximum 12-month probability of default is used for financial assets for which credit risk has not been significantly increased, the Bank estimates the expected credit losses taking into account the risk of default during the maximum period under the contract during which the financial asset is exposed to credit risk, even if, for risk management purposes, the Bank considers a longer period.

Fair value measurement of financial instruments

The Bank estimates fair value using the following structure of fair value, which reflects the nature of the data used in the evaluation:

Level 1: Quotations of active market (unadjusted) for identical instruments.

Level 2: Valuation techniques based on the observed data, obtained either directly (i.e., prices) or indirectly (i.e. derivatives from prices). This category includes instruments measured using quotations in active markets for similar instruments; quotations for identical or similar instruments in markets that are less active, or other valuation techniques in which all relevant data are directly or indirectly available.

Level 3: Valuation techniques based on the unobserved data. This category includes instruments that are evaluated on the basis of quotations for similar instruments when significant unobserved adjustments or assumptions are necessary to reflect the difference between the instruments.

The fair value of financial assets and liabilities traded in an active market is based on market quotes or OTC quotes. For all other financial instruments, the Bank determines fair value using valuation methods.

Determining the fair value of financial assets and liabilities for which there is no market quotation requires the use of the valuation methods described in the relevant accounting policies. For financial instruments that do not have an active market, the determination of fair value is less objective and requires the application of judgments based on liquidity, concentration, uncertainty market factors, cost assumptions and other factors affecting the financial instrument. The purpose of the valuation methods is to determine the fair value, which reflects the value of the financial instrument at the reporting date, which would be determined by market participants acting independently of each other.

Determination of lease asset and liability

Since 1 January 2019, the Bank has applied a single accounting model for lease transactions in accordance with IFRS 16 Leases (hereinafter — "IFRS 16"), in which it acts as a lessee.

The Bank has applied this standard using the modified retrospective method, without recalculation of comparative data. Upon transition to IFRS 16, the Bank recognized lease liabilities in respect of a lease agreement that was previously classified as an "operating lease" under the provisions of IAS 17 Leases.

Liabilities were measured at present value of the remaining lease payments, discounted using the rate of additional borrowing by the lessee (according to the statistics of the credit and deposit market of the Republic of Belarus). As at 1 January 2020, the specified rate amounted to 6.28%.

Upon first-time adoption of IFRS 16, the Bank used the following practical solutions permitted by the standard:

- elimination of initial direct costs for the purpose of measuring the right-of-use asset at the date of first-time adoption of the standard.

The related right-of-use assets were measured at an amount equal to the lease liability, adjusted for the amount of prepaid or accrued lease payments under this lease agreement recognized in the balance sheet as at 31 December 2018. There were no onerous lease agreements requiring adjustments to the right-of-use assets at the date of first-time adoption of the standard.

Recognized right-of-use assets belong to office real estate.

Determination of deferred tax assets

A recognized deferred tax asset is the amount of income tax that can be set off against future income taxes and is recognized in the statement of financial position. A deferred tax asset is recognized only to the extent that the relevant tax benefit is likely to be used. The determination of future taxable profits and the amount of tax benefits likely to occur in the future is based on the forecasts of the Management of the Bank.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

IFRS 16 Leases

Bank has applied IFRS 16, issued on 13 January 2016, effective from 1 January 2019.

Bank has applied this standard using the modified retrospective method, without recalculation of comparative data. Bank recognized the right-of-use assets in the amount of 405 thousand rubles, as well as the corresponding lease liability as at 1 January 2019.

The reconciliation of operating lease liabilities against the operational lease with a recognized liability under IFRS 16 is presented below:

	1 January 2019
Payments under operating lease	**450**
Adjustments to the amount of lease payments:	-
Future lease payments for the term of the option to extend the lease agreement in case of reasonable certainty that the option will be exercised	450
Practical exceptions: short-term lease	-
Practical exceptions: low value underlying asset	-
Future lease payments accepted for the purposes of IFRS 16	**450**
Effect of lease liability discounting	(45)
Lease liabilities under IFRS 16	**405**
Amount of previously paid advances and non-refundable deposits under agreements	-
Right-of-use assets under IFRS 16	**405**

IFRIC 23 - Uncertainty over Income Tax Treatments

The interpretation addresses the treatment of income tax when there is uncertainty over tax interpretations, which affects the application of IAS 12 Income Taxes. The interpretation does not apply to taxes or fees that are not within the scope of IAS 12, nor does it contain requirements for interest and penalties related to uncertain tax interpretations. In particular, the clarification addresses the following issues:

- Whether tax treatments should be considered collectively;
- Assumptions for taxation authorities' examinations;
- Determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- Effect of changes in facts and circumstances.

Bank decides whether to consider each uncertain tax interpretation separately or together with one or several other uncertain tax interpretations and uses an approach that makes it possible to predict the outcome of resolving the uncertainty with greater accuracy.

Bank uses significant judgment when identifying uncertainties regarding the rules for calculating income tax. Since Bank operates in a complex international environment, it has analyzed whether the application of this interpretation has an impact on its financial statements.

When applying the interpretation, Bank analyzed whether it has any uncertain tax interpretations, in particular those related to transfer pricing. The tax returns of Bank in various jurisdictions include deductions related to transfer pricing, and the tax authorities may not agree with these tax interpretations. Given that Bank meets the requirements of tax legislation, and based on its analysis of transfer pricing practices, Bank has concluded that it is likely that the tax authorities will accept its tax interpretations.

Bank does not expect any effect on its financial statements.

Amendments to IFRS 9 - Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are "solely payments of principal and interest on the outstanding part of the principal amount" ("cash flow" critertion) and the instrument is held within the appropriate business model that allows such classification. The amendments to IFRS 9 clarify that a financial asset meets the "cash flow" criterion regardless of whether an event or circumstance leads to early termination of the contract, and regardless of which party pays or receives reasonable compensation for early termination of the contract.

Bank does not expect any effect on its financial statements.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

Amendments to IAS 19 address the accounting procedure in cases where plan amendment, curtailment or settlement occurs during the reporting period. The amendments clarify that if plan amendment, curtailment or settlement occurs during the annual reporting period, the entity must determine the current service cost for the remainder of the period after plan amendment, curtailment or settlement, based on actuarial assumptions used to revalue the net defined benefit liability (asset) that reflects the benefits offered under the plan and the plan assets after that event.

The entity must also determine the net interest for the remainder of the period after a plan amendment, curtailment or settlement using the net defined benefit liability (asset) that reflects the benefits offered under the plan and the plan assets after the event, as well as the discount rate used to revalue this net defined benefit liability (asset).

These amendments did not have an impact on the financial statements of Bank, as there was no plan amendment, curtailment or settlement during the reporting period.

Amendments to IAS 28 - Investments in Associates and Joint Ventures

The amendments clarify that an entity must apply IFRS 9 to long-term investments in an associate or joint venture that the equity method is not applied to, but that are essentially part of the net investment in the associate or joint venture (long-term investments). This interpretation is important because it implies that the expected credit loss model in IFRS 9 applies to such long-term investments.

The amendments also clarify that when applying IFRS 9, an entity does not take into account losses incurred by an associate or joint venture, or losses on impairment of net investment recognized as adjustments to net investment in an associate or joint venture arising from the application of IAS 28 Investments in Associates and Joint Ventures. These amendments did not have any impact on the financial statements of Bank, since Bank does not have the long-term investments in an associate or joint venture considered in these amendments.

Annual improvements to IFRS

IFRS 3 Business Combinations

The amendments clarify that if an entity obtains control of a business that is a joint operation, it must apply the requirements for a business combination that is carried out in stages, including the revaluation of previously held interests in the assets and liabilities of the joint operation at fair value. In this case, the acquirer remeasures previously held interests in joint operations.

These amendments had no impact on the financial statements of Bank due to the absence of such operations in the periods presented.

IFRS 11 Joint Arrangements

A party that is a participant in joint operations but does not have joint control may obtain joint control over joint operations in which the activity is a business, as defined in IFRS 3. The amendments clarify that in such cases, previously held interests in the joint operation are not remeasured.

These amendments had no impact on the financial statements of Bank due to the lack of operations in which it obtains joint control.

IFRS (IAS) 12 Income Taxes

The amendments clarify that the tax consequences of dividends are more related to prior transactions or events that generated distributable profits than to distributions to owners.

Consequently, an entity should recognize the tax consequences of dividends in profit or loss, other comprehensive income, or equity, depending on where the entity initially recognized such prior transactions or events.

Upon first-time adoption of these amendments the entity must first apply them to income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since the current policies of Bank comply with the requirements of the amendments, their application did not have an impact on the financial statements of Bank.

IAS 23 Borrowing Costs

The amendments clarify that an entity must account for loans received specifically for the acquisition of a qualifying asset as part of general purpose loans when virtually all the work necessary to prepare the asset for its intended use or sale has been completed.

An entity must apply these amendments to borrowing costs incurred on or after the start date of the annual reporting period in which the entity first applies these amendments.

Bank does not expect any effect on its financial statements.

New standards, interpretations and amendments not yet effective

A number of standards and amendments to standards come into force for annual periods beginning after 1 January 2020, with the possibility of their early adoption. However, Bank did not apply these new standards and amendments to the standards prematurely in the preparation of these financial statements.

Conceptual Framework for Financial Reporting

The IASB issued a new version of the Conceptual Framework for Financial Reporting (hereinafter - "Conceptual Framework") on 29 March 2018. The new version of the Conceptual Framework comes into force for mandatory use starting in 2020.

The Conceptual Framework is the basis for the development of all IFRSs, and it also serves as a guide for the Board itself in the development of IFRS's. While any issued standard takes priority over the Conceptual Framework, having a single core document helps the Board ensure that the standards are consistent, focused on the interests of users of the financial statements, and follow the same principles. Companies also develop accounting policies based on the Conceptual Framework in situations where specific provisions of the standards are not available.

What will change:

- measurement gaps, such as when to start using historical cost, are fixed;
- requirements for the quality characteristics of financial information are more fully disclosed;

- the criteria for recognizing and evaluating elements of financial statements are harmonized;
- definitions of assets and liabilities, in particular, are improved;
- criteria for including assets and liabilities in the financial statements are developed.

IAS 1 Presentation of Financial Statements

The IASB has issued limited amendments to IAS 1 Presentation of Financial Statements, and Practice Statement (PS) 2 Making Materiality Judgements. Both documents relate to the rules for disclosure of information about the accounting policy of the organization. IAS 1 requires significant accounting policies to be disclosed, but does not define significance.

The IASB is planning to introduce a new term in the standard, in reference to significant accounting policies, and further use the concept of materiality. According to the issued amendments, information about accounting policies will be considered material if, in combination with other information also included in the financial statements, it is able to influence the decisions of users of the financial statements regarding this organization. The IASB also plans to add an additional guide to the standard to give companies a better understanding of what makes accounting policies material, and to update Practice Statement (PS) 2 by adding clarifications and examples of how materiality is applied in accounting policy disclosure decisions.

Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments were issued on 26 September 2019 and are effective for annual periods beginning on or after 1 January 2020.

The amendments were caused by the replacement of interest rate benchmarks, such as the London interbank offered rate ("LIBOR") and other interbank offered rates ("IBOR"). The proposed amendments will apply to all hedging relationships related to interest rate risk that are affected by the reform.

Bank is currently assessing the impact of the amendments on its financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash; accounts in the National Bank (less cash in the obligatory reserve fund) and financial institutions, which are free from any commitments; loans to financial institutions with an initial maturity of less than three months.

Precious metals

Precious metals in the form of ingots and coins are recognized at the acquisition price, which approximately corresponds to the fair value. The Bank determines the cost of writing off precious metals in the form of ingots and coins at the cost of each unit.

Derivative financial instruments

In the course of its ordinary operations, the Bank uses various derivative financial instruments (including forwards, swaps) in foreign exchange markets. These financial instruments are held for trading and are initially recognized at fair value. Fair value is determined on the basis of market quotations or valuation models based on current market and contractual values of corresponding underlying instruments and other factors. Derivative financial instruments with a positive fair value are recognized as assets, and those with a negative fair value - as liabilities.

Income and expenses from transactions with these instruments are recognized in the statement of comprehensive income.

Financial assets and liabilities

Recognition

Financial assets and liabilities are reflected in the statement of financial position when the Bank becomes a party to the contract in respect of the financial instrument concerned.

Financial assets and liabilities are initially recognized at fair value and financial assets and liabilities not classified as measured at fair value through profit or loss are recognized at fair value plus transaction costs directly associated with the acquisition or issuance of a financial asset or financial liability.

All regular way purchases and sales of financial assets are recognized using the accounting method on the trade date, i.e. the date that the Bank commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Classification and subsequent measurement of financial instruments: categories of measurement

The Bank classifies financial instruments using the following categories of measurement:

- measured at fair value through profit or loss (FVPL),
- measured at fair value through other comprehensive income (FVTOCI), and
- measured at amortized cost.

The classification and subsequent measurement of financial assets depend on the business model used by the Bank for asset management and the characteristics of cash flows on the asset.

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not classified at the Bank's discretion as measured at fair value through profit or loss:

- The asset is held within the framework of a business model that seeks to retain assets to obtain contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows, which are solely a payment on the principal amount of the debt and interest accrued on the outstanding part of the principal amount.

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions and is not classified at the Bank's discretion as measured at fair value through profit or loss:

- The asset is held within the framework of a business model, the purpose of which is achieved both through the receipt of contractual cash flows and through the sale of financial assets;
- the contractual terms of the financial asset provide for cash flows, which are solely a payment on the principal amount of the debt and interest accrued on the outstanding part of the principal amount.

Classification and subsequent measurement of financial assets: business model

The business model reflects the way the Bank uses to manage assets in order to receive cash flows, depending on whether the Bank's goal is:

- only to receive contractual cash flows from assets ("retention of assets to receive contractual cash flows") or
- to receive contractual cash flows and cash flows arising from the sale of assets ("retention of assets to receive contractual cash flows and to carry out sales").

If the paragraphs above are not applicable, financial assets are classified as "other" business models and are measured at fair value through profit or loss.

The business model is defined for a group of assets (at the portfolio level) on the basis of all relevant evidence of the activity that the Bank intends to undertake to achieve the objective set for portfolio available at the valuation date.

If the business model provides for the retention of assets to receive contractual cash flows or to receive contractual assesses flows and to carry out sales, the Bank estimates whether cash flows are solely payments of principal and interest (the "solely payments of principal and interest test" or the "SPPI test").

In carrying out this assessment, the Bank considers whether the contractual cash flows correspond to the terms of the loan agreement, i.e. interest only includes reimbursement in respect of the credit risk, time value of money, other risks of the underlying loan agreement and profit margin.

If the terms of the contract provide for exposure to risk or volatility that do not comply with the terms of the loan agreement, the relevant financial asset is classified and measured at fair value through profit or loss. Solely payments of principal and interest are valued on initial recognition of the asset, and no subsequent revaluation is made.

Loans to customers that meet the SPPI criterion are withheld to receive the contractual cash flows and are recognized at amortized cost.

Impairment of loans measured at amortized cost or at fair value through other comprehensive income is determined using the forecast model of expected credit losses.

Equity instruments measured at FVTOCI

The Bank, upon initial recognition of investments in equity instruments, decided, without the right of its subsequent cancellation, to classify them as equity instruments that are measured at FVTOCI if they meet the definition of an equity instrument in accordance with IAS 32 "Financial Instruments: Presentation" and are not intended for sale. The decision on such a classification is made for each instrument separately. Profit and losses on such equity instruments are never reclassified to profit or loss. Dividends are recognized in profit or loss as other income when the right to receive dividends is established, unless the Bank benefits from such proceeds as a refund of a part of the initial cost of such an instrument. In this case, the profit is recognized in other comprehensive income. Equity instruments measured at FVTOCI are not subject to impairment assessment. When such instruments are disposed of, the accumulated revaluation reserve is transferred to retained earnings.

Impairment of financial assets: estimated allowance for expected credit losses (ECL)

Based on forecasts, the Bank estimates expected credit losses related to debt financial assets measured at amortized cost and fair value through other comprehensive income, and risks arising from credit related commitments and financial guarantee contracts.

The Bank estimates the expected credit losses and recognises the estimated allowance for credit losses at each reporting date. Estimation of expected credit losses reflects:

- an unbiased and probable amount determined by assessing the range of possible results;
- the time value of the money;
- reasonable and corroborated information on past events, current conditions and projected future economic conditions available at the reporting date without excessive cost or effort.

Debt financial assets measured at amortized cost are presented in the statement of financial position less the estimated allowance for expected credit losses. For debt instruments measured at fair value through other comprehensive income, the estimated allowance for expected credit losses is recognized as profit or loss and affects the profit or loss on changes in fair value recognized in other comprehensive income rather than on the book value of those instruments.

The Bank applies the impairment accounting model under IFRS 9 based on changes in credit quality since initial recognition.

A financial asset that is not impaired on initial recognition for which there was no significant increase in credit risk during the reporting period is classified as relating to Stage 1. For Stage 1 financial assets, the expected credit losses are estimated to be equal to the portion of the expected credit losses for the entire term that arise as a result of defaults that may occur within the next 12 months (12-month excepted credit losses), or to maturity if it is less than 12 months from the reporting date.

If the Bank detects a significant increase in credit risk from the moment of initial recognition, the asset is transferred to Stage 2 and the expected credit losses are estimated on the basis of expected credit losses for the entire term (expected credit losses for the entire term).

If the Bank determines that a financial asset is impaired (the borrower is defaulted), the asset is transferred to Stage 3 and the expected credit losses are assessed as expected credit losses for the entire term.

The estimated values of expected credit losses can be adjusted for allowances based on expert opinion. The decision to apply adjustments is made by the Bank's management when significant economic and other factors that affect the amount of allowances are identified.

Determination of a significant increase in credit risk

The Bank has developed an assessment methodology that includes both quantitative and qualitative information to determine a significant increase in credit risk for a particular financial instrument from the moment of its initial recognition.

As a "limiter", the Bank believes that a significant increase in credit risk occurs no later than the moment when the number of days of past due debt on the asset exceeds 30 days. The Bank determines the number of days of past due debt by counting the number of days starting from the earliest day as of which full payment has not been received.

The Bank verifies the effectiveness of the criteria used to identify significant increases in credit risk through regular checks to ensure the following:

- the criteria are able to detect a significant increase in credit risk before the position exposed to credit risk falls into default;
- the criteria do not coincide with the moment when payment on the asset is more than 30 days overdue;
- the average time between the identification of a significant increase in credit risk and default seems reasonable;
- risk-exposed items are not transferred directly from the 12-month expected credit losses to the loan-impaired;
- there is no unjustified volatility of the estimated allowance for losses when transferring from 12-month expected credit losses to expected credit losses for the entire term.

Determination of default

A financial asset is classified by the Bank as a financial asset for which the default event occurred, in the following cases:

- it is unlikely that the borrower's credit related commitments to the Bank will be repaid in full without the Bank's use of such actions as the realization of collateral (if any); or
- the borrower's debt on any of the Bank's significant credit related commitments is past due by more than 90 days. Overdrafts are considered to be past due from the moment the customer has violated the recommended limit or has been recommended a limit less than the amount of the current outstanding debt;
- restructuring due to the borrower's financial difficulties within the previous 12 months prior to the reporting date.

The initial data in assessing the occurrence of a default event on a financial instrument and its significance may change over time to reflect changes in circumstances.

Forecast information

In order to improve the quality of credit risk assessment, the Bank adjusts the probability of default (PD) taking into account the impact of macroeconomic factors (forecast information).

Indicators determined using expert and (or) statistical methods are used as macroeconomic factors, taking into account their correlation with changes in credit risk and expected credit losses. External information may include economic data and forecasts published by state bodies and monetary regulatory bodies such as the National Bank, the Ministry of Finance, as well as certain individual and scientific forecasts.

For the purpose of accounting for the impact of macroeconomic factors on PD, three scenarios are used (basic, moderate shock, and strong shock). The calculation uses a weighted average scenario with the following specific weights, which can be adjusted based on internal forecast data as well as external information:

- 85% – basic scenario;

- 10% - moderate shock;
- 5% - strong shock.

PD adjustments are carried out taking into account the impact of forecast values of macroeconomic factors published in official sources. To determine the impact of these indicators for a period of more than 1 year, the extrapolation method is used.

Modified financial assets

The Bank seeks, to the extent possible, to revise the contractual terms of loans agreed by the parties, such as extending the contractual terms of payment, to agree on new loan terms, or otherwise modify the contractual cash flows.

The Bank derecognizes a financial asset, such as a loan to a customer, if the renegotiation results in a significant change in cash flows, which is a material modification of the financial asset.

A significant modification results in the redemption of the initial financial asset and recognition of the new financial asset, while classifying the new financial asset in accordance with IFRS 9 (including cash flow testing using the SPPI test). Upon initial recognition, new financial assets are assigned to Stage 1 for the purpose of the ECL valuation, unless the new financial asset is considered to be a POCI asset. Factors that lead to the derecognition of a financial asset include:

- changing the currency of a financial asset;
- exchanging a fixed interest rate for a floating interest rate and vice versa;
- replacement of the debtor (counterparty) under the agreement.

If the modification of contractual cash flows does not result in the derecognition of the financial asset, this is an insignificant modification. Insignificant modifications include changes in the term of the contract, changes in the periodicity of principal and interest payments, and other changes in the terms of the contract that are not significant modifications.

The Bank recognizes profit or loss from modification calculated on the basis of changes in cash flows discounted at the initial effective interest rate in the statement of comprehensive income before the impairment loss is recognized.

In the case of a modification that does not result in derecognition, the Bank also reassesses whether the credit risk on a financial asset has increased significantly since its initial recognition, taking into account all reasonable and corroborated information, including forecast information, and, depending on the degree of deterioration in credit quality from the date of initial recognition, assigns financial instruments to one of the following reservation stages:

- stage 1 - financial assets that do not have factors which indicate a significant increase in credit risk and do not show signs of impairment for which expected credit losses are calculated within one year;
- stage 2 - financial assets that have factors which indicate a significant increase in credit risk, but without signs of impairment, for which the expected credit losses are calculated for the entire life of the financial asset;
- stage 3 - financial assets that show signs of impairment and for which the expected credit losses are calculated for the entire life of the financial asset.

The Bank recognizes as debt restructuring any changes in the terms and conditions of the agreement in terms of changes in the term of repayment (repayment) of the principal debt, and (or) changes in the term of interest payment, and (or) changes in the schedule of repayment of the principal debt (terms and amounts), and (or) changes in the interest rate, as well as the conclusion of a new agreement providing for the Bank gaining an asset exposed to credit risk, and leading to the termination of obligations between the Bank and the debtor under the previously concluded agreement, the debtor for which is the same person or entity due to the inability of the debtor to fulfill its obligations to the Bank, carried out in order to create conditions that ensure the timely and full execution of the debtor's obligations to the Bank.

Problem restructuring, which indicates a material increase in credit risk, is a repeated and subsequent restructuring in the absence of factors indicating a material increase in credit risk and (or) signs of impairment, or restructuring if there are factors indicating a material increase in credit risk at the time of restructuring; or restructuring whereby any outstanding principal debt and (or) interest liabilities are deemed to be urgent; or restructuring involving a carry-over of previously provided nearest payment on the principal debt and (or) interest for a period of more than one year.

Default restructuring is a restructuring related to the inability of the borrower (counterparty) to fulfill its obligations under the original terms of the contract. Restructuring is recognized as default if there is at least one of the following criteria:

- restructuring in the presence of signs of impairment of a financial asset at the time of restructuring, before the fulfillment of the conditions of recovery or failure to fulfill the conditions of recovery or the execution of repeated and subsequent restructuring in the presence of factors indicating a significant increase in credit risk, before the fulfillment of the conditions of recovery or failure to fulfill the conditions of recovery;
- restructuring with write-off of part of debt (principal and (or) interest) to off-balance accounts (debt release);
- the restructuring results in a reduction of the interest rate under the agreement to the level of 2/3 or below the level of 2/3 of the rate set by the Bank's Finance Committee for the relevant currency for a comparable period. If the borrower's financial asset is classified as Stage 3 of reservation, other available financial instruments of the borrower are also classified as Stage 3, and in the event of a new loan to the borrower such loan is classified as a created credit-impaired financial asset.

The condition for the recovery of the credit quality of a financial asset is the payment of at least three consecutive payments to the Bank in full and on time in accordance with the contractual terms with the debtor for at least 12 months from the date of detection of the absence of factors indicating a significant increase in credit risk (for the recovery from stage 2 of reservation to stage 1) or signs of impairment (for the recovery from stage 3 of reservation to stage 2, or, upon fulfilling all these conditions for recovery, to stage 1).

Accounting for POCI assets

POCI assets are assets that are credit-impaired upon initial recognition. POCI assets include the following assets of the Bank:

- new financial assets issued by the Bank as part of the restructuring of the credit-impaired asset (replacement of the credit-impaired asset with other assets with the same degree of credit risk, loan issuance on repayment of previously issued and credit-impaired loan, etc.);
- an asset that arose upon derecognition of a financial asset due to a substantial modification of contract terms as part of the restructuring of the credit-impaired assets;
- acquired credit-impaired assets.

When POCI assets are initially recognised, they do not have an allowance for impairment. Instead, the amount of expected credit losses for the entire period is included in the calculation of the effective interest rate.

To calculate EIR on acquired or created credit-impaired financial assets, the expected cash flows are used, taking into account the initial estimate of expected credit losses for the entire period – that is, the estimated amount of contractual cash flows on the asset is reduced by the amount of expected credit losses for the entire term of its validity. The effective interest rate thus calculated is called the effective risk-adjusted interest rate.

The initial recognition of POCI loans (typically created assets) determines the fair value of such loans based on cash flows expected to be received by the Bank as a result of receipt of cash flows and/or realization of collateral.

To determine fair value, expected cash flows are discounted at the market rate upon initial recognition.

The expected credit loss on POCI-assets is always measured at an amount equal to the expected credit loss over the entire period. However, the value in which the estimated allowance for loss for such assets is recognized is not equal to the total amount of expected credit losses for the entire term, but to the amount of changes in the expected credit losses for the entire period from initial recognition of the asset involved.

An amount reflecting positive changes in expected credit losses over the entire period is recognized as impairment gain, even if the amount of these changes is greater than the amount which was previously recognised as an impairment loss in profit or loss, if any.

Interest on POCI assets is accrued on the effective interest rate taking into account credit risk determined at the time of initial recognition of the asset.

Reclassification of financial assets

Reclassification of financial assets is carried out only in cases of changes in the business model used for the management of financial assets, the Bank must reclassify all affected financial assets, with the reclassified financial asset being assessed in a perspective from the reclassification date, previously recognised gains, losses (including impairment gains or losses) or interest is not recalculated.

Such changes are expected to occur very rarely. Such changes should be determined by the senior management of the Bank as a consequence of external or internal changes and should be significant for the Bank's operations and obvious to external parties.

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

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized in the statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- The Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement;
- the Bank either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities

Financial liabilities other than those recognized at fair value through profit or loss are classified as liabilities recognized at amortized cost. Liabilities recognized at amortized cost are initially recognized at fair value, less transaction costs incurred. They are subsequently measured at amortized cost.

If a liability is issued at interest rates higher (lower) than market ones, the difference between the fair and nominal value of the liability is reflected in the statement of comprehensive income as the effect of initial recognition of financial instruments at fair value. Subsequently, the value of the liability recognized in the statement of financial position is adjusted for depreciation of the original expenses and the related expenses are reflected as interest expenses in the statement of comprehensive income.

The financial liabilities recognized at amortized cost include amounts due to banks, amounts due to customers and issued debt securities.

Derecognition of financial liabilities

A financial liability is derecognized when the relevant liability has been performed, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective value is recognized in the statement of comprehensive income.

Offsets of financial assets and liabilities

Financial assets and liabilities shall be set off and the statement of financial position shall recognize the net value only where there is a statutory right to produce the offset of the amounts recognized, and the intention to either set off or to dispose of the asset and settle the liability at the same time.

Investment property

Investment property is represented by premises used by the Bank in order to obtain long-term rental income and/or increase in their value. The investment property is initially recognized at actual cost, including transaction costs.

Upon initial recognition, the Bank assesses the investment property at actual cost less accumulated depreciation and impairment, if any.

Investment property is amortized using the straight-line method. Useful life is 35 to 100 years.

Subsequent costs are capitalized only if the Bank is likely to receive appropriate future economic benefits and it is possible to estimate costs in a reliable manner. All other repair and maintenance costs are attributed to expenses as incurred.

Property and equipment

Property and equipment are recognized at acquisition cost, less accumulated depreciation and allowance for impairment, if any.

At each reporting date, the Bank determines whether there are any signs of impairment of property and equipment. If such signs exist, the Bank makes an estimate of the recoverable value, which is defined as the largest of the net value of the sale of property and equipment and the value derived from their use, which is the current value of expected future cash flows. If the value of property and equipment in the statement of financial position exceeds their estimated recoverable value, the value of property and equipment in the statement of financial position is reduced to the recoverable value and the difference is recognized in the statement of comprehensive income as an expense on impairment of property and equipment.

Gains and losses arising from disposals of property and equipment are determined on the basis of their value in the statement of financial position and recognized as operating expenses in the statement of comprehensive income.

Repair and maintenance costs are reflected in the statement of comprehensive income at the time they arise.

Depreciation of property and equipment starts from the moment of their commissioning. Depreciation is calculated using a straight-line method over the following useful life periods:

- buildings and structures: 20-100 years;
- vehicles: 8 years;
- office and computer equipment: 5-50 years.

The depreciation method, the residual value of the assets and the useful life of the assets are reviewed and, if necessary, adjusted for each reporting date.

Intangible assets

An intangible asset is an identifiable non-monetary asset that has no physical shape. An intangible asset is recognized if:

- it is likely that the Bank will receive future economic benefits related to the asset;
- the value of the asset can be reliably measured.

Intangible assets include software, licenses and other intangible assets.

Intangible assets acquired separately are shown at acquisition cost less accumulated amortization and accumulated impairment losses, if any.

Intangible assets with a limited useful life are amortized using a straight-line method over the useful life of 1 to 10 years and are analyzed for impairment whenever there is an indication of possible impairment of an intangible asset. Amortization periods and methods for intangible assets with limited useful lives are reviewed at least at each reporting year-end.

Profit or loss on disposal of intangible assets is defined as the difference between the net income on disposal and the value of the assets recognized in the statement of financial position and is recognized in the statement of profit or loss as "Other income".

Repossessed assets

In the ordinary course of business, the Bank receives a title for non-financial assets, which were initially represented as collateral for a loans. When the Bank acquires (i.e. gains a complete ownership) non-financial assets in this way, the asset's classification follows the nature of its intended use by the Bank.

Such assets are initially recognized at the value of appropriate loans recorded in the statement of financial position. Subsequently such assets are usually classified as other assets and accounted for in accordance with IAS 2 at the lower of cost and net realizable value. These policies are also applicable to property acquired by the Bank as loan repayment through repossession of collateral or as compensation for credit and other contracts, and intended solely for subsequent sale or for renovation and resale (by decision of the authorized body of the Bank on the implementation of such reconstruction).

Net realizable value is the estimated selling price for repossessed assets in the ordinary course of business less the estimated sales costs.

At each reporting date the Bank revises the net realizable value and compares it with the cost of repossessed assets recorded in the statement of financial position. If the cost of such assets is not recoverable due to damage or obsolescence of assets, market prices decline or increase in the estimated costs of completion and sales costs, the Bank writes such assets down to their net realizable value and recognizes the write down in operating expenses in the period such write down occurs or losses take place. Subsequently, if the circumstances which led to the write down of assets change or if there is an evidence of net realizable value growth, the amount of write down is reversed so that the revised amount recorded in the statement of financial position would be the lower of net realizable value and cost.

Repossessed assets initially intended for purposes other than sale in the ordinary course of business are subsequently valued according to the accounting policy based on the classification of such assets in the statement of financial position.

Lease before 1 January 2019

Finance lease - Bank as lessor

The Bank recognizes lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating lease - Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating lease - Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Lease since 1 January 2019

Bank as lessee

Leased assets

The Bank recognises financial leases as part of assets and liabilities in the statement of financial position at the date of commencement of the lease term in the amount equal to fair value of the leased property or at the present value of the minimum lease payments if this amount is less than fair value.

When calculating the current cost of minimum lease payments, the discount rate is used as the discount rate for raising additional borrowing by the lessee: the average rate of the credit and deposit market of the Republic of Belarus for loans to legal entities on the date of conclusion of the contract. Initial direct costs are recognized as part of the asset. Lease payments are divided between financing costs and liabilities repayment. Financing costs during the lease period are charged to the reporting periods in such a way as to ensure that expenses are recognized at a constant periodic interest rate charged to the liabilities balance for each reporting period.

Direct initial costs that are directly attributable to the activities of the lessee under the finance lease agreement are recognized as part of the leased assets.

Right-of-use assets and lease liabilities

From 1 January 2019, a lease is recognized as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Bank. Each lease payment is distributed between the liability and financial expenses. Finance expenses are recognized in profit or loss over the lease term to ensure a constant periodic interest rate on the remaining lease liability for each period. The right-of-use asset is amortized on a straight-line basis over the shorter of the asset's useful life and lease term. Assets and liabilities arising from leases are initially measured at their present value.

Lease payments are discounted using the lessee's additional borrowing rate, which is the rate that the lessee will have to pay to raise the funds necessary to obtain an asset of similar value in a similar economic environment with similar conditions.

Finance lease - Bank as lessor

The Bank recognizes lease receivables at value equal to the net investment in the finance lease, starting from the date of commencement of the lease term.

The beginning of the finance lease term is considered to be the date when the agreement is concluded or the corresponding liabilities arise, whichever date is earlier. For the purposes of this definition, the liability must be in writing, signed by the finance lease participants, and contain a description of the terms.

Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized as part of the initial amount of receivables on lease payments and are recognized in the statement of comprehensive income as interest income. Advance payments made by the lessee prior to the commencement of the lease are classified as a reduction in the net investment in finance lease.

If the net investment in finance lease is impaired, an appropriate allowance for impairment is made. Net investments in finance lease are impaired if their book value exceeds their estimated recoverable amount.

The amount of the impairment loss is calculated as the difference between the asset's book value and the present value of expected future cash flows discounted at the initial effective interest rate for lease payments due. Net investments in finance lease are recognized in the statement of financial position less any allowance for impairment of their value.

Operating lease - Bank as lessor

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases.

The Bank records assets subject to operating leases according to the nature of the asset. Lease income under operating lease agreements is evenly recognized in the statement of comprehensive income over the lease term as other income. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis.

Initial direct costs incurred specifically to earn revenues from an operating lease are added to the book value of the leased asset.

Impairment of non-financial assets

Book value of non-financial assets of the Bank, excluding deferred tax assets, is reviewed at each reporting date to determine signs of impairment. If there are any such signs of impairment, the cost of recovering the asset is estimated.

The cost of recovering other non-financial asset is the highest value of its fair value less the cost of selling and the cost of its use. In estimating the cost of use, the expected future cash flows are discounted to the present value, using a pre-tax discount rate that reflects the current market estimate of the time value of money and risks specific to the asset. For an asset that does not generate cash flows independently of other assets, the cost of recovery is determined for the cash-generating unit to which the asset relates.

An impairment loss is recognized when the book value of an asset or cash-generating unit exceeds its recoverable value.

All impairment losses on non-financial assets are recognized as expenses in the statement of comprehensive income and are refunded only if there have been changes in the estimates used to determine the cost of recovery. Any impairment loss shall be recovered only to the extent that the book value of the asset does not exceed the book value that would have been determined after deduction of depreciation, if there was no recognition of impairment losses.

Share capital

Ordinary shares are classified as equity.

Share capital is recognized at cost. Expenses for services to third parties directly related to the issue of shares are accounted in equity as a deduction from the amount received during the issue of shares.

Provisions

Provisions are recognized in accounting if the Bank has current liabilities (defined by law or implied) arising from past events, the repayment of which is likely to require the disposal of resources with economic benefits, and the amount of such liabilities can be estimated with sufficient accuracy.

Provisions are measured at the present value of the lowest expected value, which reflects the current market estimate of the time value of cash and, where applicable, the risks inherent in the liability.

Current employee benefits

Current employee benefits are measured at undiscounted value and are attributed to costs during the period in which the services were rendered or the work was performed.

According to the requirements of the legislation of the Republic of Belarus, the Bank makes mandatory payments to the Social Protection Fund of the Ministry of Labor and Social Protection of the Republic of Belarus from the accrued wages of its employees.

The Bank has no other pension liabilities to retired employees or to former employees.

Credit related commitments

The Bank assumes credit related commitments, including financial guarantees, letters of credit and loan commitments. Guarantees are the Bank's irrevocable commitments to perform payments when the customer does not fulfill his obligations to third parties and have the same level of credit risk as loans. Letters of credit are the Bank's written commitments to make payments on behalf of customers in agreed amount when certain conditions are met; they are collaterized with the corresponding deliveries of goods or deposits and, accordingly, have lower risk level, than direct lending.

Loan commitments represent an unused part of loans, guarantees or letters of credit authorized for issue. In respect of the loan commitments, the Bank potentially has the risk to sustain losses in the amount equal to the total amount of the unused commitments. The Bank controls maturity terms for credit related commitments, as usually long-term liabilities bear higher credit risk level than the short-term ones.

A financial guarantee liability is recognized initially at fair value net of related transaction costs, and is measured subsequently at the higher of the amount initially recognized less cumulative amortization or the amount of allowance for expected losses under the guarantee. Allowance for expected losses under financial guarantees and other commitments are recognized when losses are considered probable and can be measured reliably. Such allowances are recognized in other liabilities.

Taxation

Income tax expenses are the sum of current and deferred tax expenses. The amount of expenses on current income taxes is determined taking into account the amount of taxable profit for the year calculated in accordance with the legislation of the Republic of Belarus.

Current tax payments are calculated on the basis of taxable profit for the year, using income tax rates that were in effect during the reporting period.

Balance on current tax liabilities are amounts payable to the state budget or reimbursed from the state budget in respect of taxable profits and deductible current and prior expenses.

Deferred tax is future tax claims or liabilities to recover the difference between the value of assets and liabilities in the financial statements and the corresponding tax base, used in the calculation of taxable profits.

Deferred tax liabilities are generally recognized for all temporary differences, and deferred tax assets are recognized on the likelihood of future taxable profits, from which temporary differences accepted for tax purposes may be deducted.

The value of deferred tax assets in the statement of financial position is reviewed at each reporting date and reduced to the extent that there is no longer a possibility that the benefit of the tax claim is sufficient to recover the asset in full or in part will be received.

Deferred taxes are calculated at rates effective at the reporting date. Deferred taxes are recognized in the statement of comprehensive income, unless the deferred tax relates to items directly reflected in other comprehensive income, in which case the deferred tax is recognized in other comprehensive income.

Expenses for taxes other than income tax applied to the Bank are recognized in operating expenses.

Recognition of income and expenses

Interest income and expenses are recognized in the statement of profit or loss on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized value of a financial asset or financial liability and allocating interest income and interest costs to the relevant period. Effective interest rate is the discount rate for estimated future cash payments or receipts for the expected term of the financial instrument, or for a shorter period, up to a net value of the financial asset or financial liability recognized in the statement of financial position. When calculating the effective interest rate, BANK evaluates cash flows taking into account all contractual terms for the financial instrument, but does not take into account future losses on loans. Such calculation includes all fees and commissions paid and received by the parties to the contract, which form an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

If a financial asset or a group of homogeneous financial assets has been written off (partially written off) as a result of impairment, interest income is determined by taking into account the interest rate used for discounting future cash flows for the purpose of calculating impairment losses.

Foreign exchange transactions

Foreign exchange transactions are accounted at the exchange rate of the National Bank of the Republic of Belarus effective on the date of the transaction. Monetary assets and liabilities expressed in foreign currencies other than functional currency are converted into Belarusian rubles at the exchange rate effective at the reporting date.

Gains and losses arising from exchange differences are reflected in net gains on foreign exchange transactions.

Non-monetary assets and liabilities recognized at fair value in foreign currency are translated into Belarusian rubles at the exchange rate of the National Bank of the Republic of Belarus effective on the date of determination of fair value. Non-monetary assets and liabilities, recognized at historical value in foreign currency, are translated at the exchange rate of the National Bank of the Republic of Belarus effective on the date of acquisition.

6. ADJUSTMENTS RELATING TO PREVIOUS PERIODS

Below are the adjustments made by the Bank in the comparative information for 2018.

The changes are recorded in the financial statements retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Statement of comprehensive income

	2018 year	Amount of the adjustment	2018 after the adjustment
Interest income	12,562	148	12,710
Net interest income	**7,481**	**148**	**7,629**
Commission income	6,491	(148)	6,343
Net commission income	**4,342**	**(148)**	**4,194**

In the comparative information provided for 2018, the income represented by payments under the "Financial protection" program in the amount of 148 thousand rubles was transferred from the "Commission income" item to the "Interest income" item in the statement of comprehensive income, based on the economic essence of the income.

Statement of cash flows

	2018 year	Amount of the adjustment	2018 after the adjustment
Other assets	(111)	509	398
Other liabilities	(144)	(207)	(351)
Net cash flows from operating activities before tax	**3,961**	**302**	**4,263**
Net cash flow from operating activities	**3,662**	**302**	**3,964**
Net increase/(decrease) in cash and cash equivalents	**13,016**	**302**	**13,318**
Cash and cash equivalents at the end of the year	**40,653**	**302**	**40,955**

In the comparative information provided for 2018, cash flows for other assets and other liabilities were adjusted, in the amount of 509 and 207 thousand rubles, respectively, by excluding cash flows for transit accounts that were mistakenly accounted for twice.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts:

	31 December 2019	31 December 2018
Correspondent accounts and overnight deposits in financial organizations	14,172	25,218
Balances on current accounts with the National Bank (other than mandatory reserves)	13,675	11,863
Cash	7,516	3,874
Total cash and cash equivalents	289	**40,955**
Less allowance for impairment	**35,652**	(302)
Total net cash and cash equivalents	(454)	**40,653**

As at 31 December 2019 and 31 December 2018 cash and cash equivalents have been placed in the National Bank and other resident banks of the Republic of Belarus, as well as non-resident banks of the Republic of Belarus with a credit rating A-, B or no credit rating.

As at 31 December 2019 the correspondent network of the Bank includes 66 Nostro accounts in foreign currency (as at 31 December 2018 – 70 accounts).

As at 31 December 2019 and 31 December 2018 the Bank had no balances on correspondent accounts and overnight deposits with other banks which exceeded 10% of the Bank's capital.

Movement in the provision for cash and cash equivalents is presented as follows:

	2019				2018
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Provision for cash equivalents					
Balance as at 31 December	(302)	-	-	(302)	-
Effect of the first application of IFRS 9	-	-	-	-	(229)
Adjusted balance as at 1 January	(302)	-	-	(302)	(229)
(Accrual) / recovery of an allowance	(152)	-	-	(152)	(73)
Balance as at 31 December	(454)	-	-	(454)	(302)

8. DUE FROM BANKS

	31 December 2019	31 December 2018
Unimpaired and non-overdue loans and other amounts due from banks (credit rating "B-")	1,624	1,288
Obligatory provisions in the National Bank of the Republic of Belarus	2,413	1,569
Total amounts due from banks	**4,037**	**2,857**
Less allowance for impairment	(96)	(57)
Total net amounts due from banks	**3,941**	**2,800**

Movement in the provision for amounts due from banks is presented as follows:

	2019				2018
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Provision for amounts due from banks					
Balance as at 31 December	(57)	-	-	(57)	(118)
Effect of the first application of IFRS 9	-	-	-	-	78
Adjusted balance as at 1 January	(57)	-	-	(57)	(40)
(Accrual) / recovery of an allowance	(39)	-	-	(39)	(17)
Balance as at 31 December	(96)	-	-	(96)	(57)

Belarusian credit organizations are required to maintain an interest-free cash deposit (obligatory provision) in the National Bank, the amount of which depends on the amount of funds raised by the credit organization. The legislation provides for significant restrictions on the possibility of withdrawing this deposit by the Bank.

a) Restricted cash in financial organizations (less cash in the obligatory reserve fund of the National Bank)

As at 31 December 2019 and 31 December 2018 amounts due from banks included guarantee deposits placed by the Bank in Belarusbank for operations with letters of credit and bank payment cards in the amount of 2,313 thousand Belarusian rubles and 1,469 thousand Belarusian rubles, respectively, and JSC "Belarusian Currency and Stock Exchange" as a contribution to the guarantee fund of the foreign exchange market of the Republic of Belarus in the amount of 100 thousand Belarusian rubles as at 31 December 2019 and 31 December 2018.

b) Concentration of amounts due from banks

As of 31 December 2019 and 31 December 2018, the Bank had no balances in financial organizations exceeding 10% of the capital of the Bank.

9. LOANS TO CUSTOMERS

	31 December 2019	31 December 2018
Loans to corporate customers	85,744	77,107
Loans to individuals	48,566	42,261
Total loans to customers	**134,310**	**119,368**
Less allowance for impairment	(6,209)	(5,632)
Total net loans to customers	**128,101**	**113,736**

Quality of loans to corporate customers

The table below provides information on the quality of the corporate customer loan portfolio:

as at 31 December 2019

	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	31 December 2019
Loans to corporate customers				
Amount of loans	83,206	2,039	499	85,744
Allowance for impairment	(3,197)	(167)	(377)	(3,741)
Book value	80,009	1,872	122	82,003

as at 31 December 2018

	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	31 December 2018
Loans to corporate customers				
Amount of loans	73,216	2,234	1,657	77,107
Allowance for impairment	(1,757)	(304)	(1,076)	(3,137)
Book value	71,459	1,930	581	73,970

a) **Analysis of collateral for corporate customer loan portfolio (less the allowance for impairment):**

The table below provides the analysis of loans to corporate customers by types of collateral as at 31 December 2019 and 31 December 2018:

	31 December 2019	Share in the loan portfolio, %	31 December 2018	Share in the loan portfolio, %
Real estate	39,062	45.6%	25,973	33.7%
Other collateral	19,137	22.3%	11,358	14.7%
Guarantees	14,249	16.6%	12,244	15.9%
Equipment and vehicles	9,327	10.9%	24,549	31.8%
Unsecured loans	3,969	4.6%	2,983	3.9%
Total loans to corporate customers	**85,744**	**100.0%**	**77,107**	**100.0%**

In order to reduce credit risk, the Bank requires borrowers to provide collateral, the size and type of which depends on the assessment of the counterparty's credit risk. The main types of collateral received when lending to corporate customers is mortgage.

b) Analysis of ageing of the impaired loans to corporate customers (less allowance for impairment):

	31 December 2019	31 December 2018
Unexpired	84,912	75,669
Overdue less than 1 year	832	1,438
Total loans to corporate customers	**85,744**	**77,107**

c) Analysis of the corporate customer loan portfolio by method of loan provision (less allowance for impairment):

	31 December 2019	31 December 2018
Credit line, including:	64,956	55,166
Revolving credit line	*35,791*	*40,078*
Non-revolving credit line	*29,165*	*15,088*
One-time loan	20,788	21,941
Total loans to customers	**85,744**	**77,107**

d) Analysis of corporate customer loan portfolio by types of business activity (less allowance for impairment):

	31 December 2019	Share in the loan portfolio, %	31 December 2018	Share in the loan portfolio, %
Wholesale and retail trade, car and motorcycle repair	34,077	39.7%	37,718	49.0%
Manufacturing	24,021	28.0%	22,278	28.9%
Transportation, warehousing, postal and courier activities	4,197	4.9%	472	0.6%
Construction	2,849	3.3%	79	0.1%
Operations with real estate	1,465	1.7%	1,027	1.3%
Agriculture, forestry and fisheries	162	0.2%	-	0.0%
Other	18,973	22.2%	15,533	20.1%
Total loans to corporate customers	**85,744**	**100.0%**	**77,107**	**100.0%**

Quality of loans to individuals

The following table provides information on the quality of loans to individuals:

as at 31 December 2019

	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	31 December 2019
Loans to individuals				
Amount of loans	42,912	169	5,485	48,566
Allowance for impairment	(343)	(1)	(2,124)	(2,468)
Book value	**42,569**	**168**	**3,361**	**46,098**

as at 31 December 2018

	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	31 December 2018
Loans to individuals				
Amount of loans	36,812	139	5,310	42,261
Allowance for impairment	(530)	(2)	(1,963)	(2,495)
Book value	**36,282**	**137**	**3,347**	**39,766**

All loans to individuals were impaired on a collective basis.

a) Analysis of collateral for loans to individuals (before impairment):

	31 December 2019	31 December 2018
Loans secured by penalties and guarantees	48,475	42,182
Loans secured by pledge of vehicles	67	58
Loans secured by pledge of property	24	21
Total loans to customers	**48,566**	**42,261**

The above amounts represent the value of the loans reflected in the statement of financial position and not the fair value of the collateral.

b) Analysis of ageing of impaired loans (less allowance for impairment):

	31 December 2019	31 December 2018
Unexpired	47,843	36,544
Overdue less than 1 month	382	288
Overdue from 1 to 6 month	341	209
Overdue from 6 month to 1 year	-	5,220
Total loans to individuals	**48,566**	**42,261**

Loan impairment

Movement in the allowance for loans to customers are as follows:

	2019				2018
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Allowance on loans to customers					
Balance as at 31 December	(2,287)	(306)	(3,039)	(5,632)	(4,380)
Effect of the first application of IFRS 9	-	-	-	-	(1,938)
Adjusted balance as at 1 January	(2,287)	(306)	(3,039)	(5,632)	(6,318)
(Accrual) / recovery of an allowance	(1,253)	138	1,804	689	1,086
Write-off	-	-	(1,266)	(1,266)	(400)
Balance as at 31 December	**(3,540)**	**(168)**	**(2,501)**	**(6,209)**	**(5,632)**

Significant credit exposures

As at 31 December 2019 and 31 December 2018, the Bank had four and five corporate borrowers, respectively, with loan debt exceeding 10% of the Bank's capital. The total value of these loans as at 31 December 2019 and 31 December 2018 was 22,418 thousand rubles and 24,725 thousand rubles, respectively.

Maximum exposure to credit risk

The maximum exposure to credit risk of loans to customers equals to the book value of the loans recorded in the statement of financial position.

10. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2019	31 December 2018
Derivative financial assets	-	7
Total financial assets measured at fair value through profit or loss	**-**	**7**

11. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investments in equity securities (shares) as of 31 December 2019 and 31 December 2018 are as follows:

Name	Type of activity	Country of registration	Share in the share capital	31 December 2019	31 December 2018
JV "Venbelcom S.A."	Foreign trade activity	Venezuela	19.60	26	26
JSV "Belzarubezhstroy"	Construction	Republic of Belarus	10.00	-	-
JV "MAZ-MAN"	Manufacturing	Republic of Belarus	7.37	8	8
Total				**34**	**34**

Investments in equity securities are classified as financial assets measured at fair value through other comprehensive income.

Signs that the cost may not reflect fair value include, among other things, a significant change in the performance of the investee. As at 31 December 2019 and 31 December 2018, the fair value of the equity instrument of JSV "Belzarubezhstroy" amounted to zero rubles (as at the reporting date, the issuer worked with negative net assets).

In 2019, the Bank did not receive dividends. The amount of dividends received for 2018 amounted to 24 thousand rubles and is recognized in other income.

Investments in debt securities as at 31 December 2019 and 31 December 2018 are presented as follows:

	Average rate	Maturity and currency	31 December 2019	31 December 2018
Bonds issued by republican state administrative bodies	4.20%	2024 USD	8,289	-
Bonds issued by the National bank	7.15%	2020 BYN	2 986	-
Bonds issued by resident banks	9.34%	2020 BYN	6 873	-
Bonds issued by commercial organization	5.50%	2029 USD	3 692	-
Interest income on bonds accrued			258	-
Total investments in debt securities			**22,098**	-

The following table provides information on the credit quality of financial assets measured at fair value through other comprehensive income.

	2019				2018
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Allowance for financial assets measured at fair value through other comprehensive income					
Balance as at 31 December	-	-	-	-	-
(Accrual) / recovery of an allowance	(323)	-	-	(323)	-
Balance as at 31 December	(323)	-	-	(323)	-

12. INVESTMENT PROPERTY

The movement of investment property for the year ended 31 December 2019 and 31 December 2018 is as follows:

	31 December 2019	31 December 2018
Initial cost		
Balance as at 1 January	251	3,673
Acquisition	68	-
Transfer to property and equipment	-	(3,422)
Balance as at 31 December	**319**	**251**
Accumulated depreciation		
Balance as at 1 January	(16)	(232)
Accrual	(11)	(7)
Transfer to property and equipment	-	223
Balance as at 31 December	**(27)**	**(16)**
Net book value as at 31 December	**292**	**235**

Income from investment property included in profit or loss is as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Rental income from investment property	24	13
Total income for the period	**24**	**13**

Investment property includes objects that the Bank leases.

The Management of the Bank believes that the fair value of investment property is equal to its book value as of 31 December 2019 and 31 December 2018.

In 2019 and 2018, the Bank carried out an impairment test, as a result of which no signs of impairment of investment property were identified.

In 2019 and 2018, the Bank had no restrictions on the feasibility of its investment property, as well as any contractual liabilities to acquire, construct or build investment property objects, repair, maintain or improve them.

13. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The following is the information on the movement of property and equipment for the year ended 31 December 2019:

	Buildings and structures	Vehicles	Office and computer equipment, other	Intangible assets	Investments in intangible assets	Total
Initial cost						
Balance as at 31 December 2018	14,084	422	4,280	4,106	198	23,090
Acquisition	35	-	282	1,126	933	2,376
including modernization	*35*	-	*11*	-	-	*46*
Disposal	(997)	(107)	(577)	(62)	(1,130)	(2,873)
Transfer from investment property	-	-	34	-	-	34
Balance as at 31 December 2019	**13,122**	**315**	**4,019**	**5,170**	**1**	**22,627**
Accumulated depreciation						
Balance as at 31 December 2018	(3,268)	(416)	(3,199)	(1,633)	-	(8,516)
Accrued for the year	(229)	(2)	(246)	(745)	-	(1,222)
Disposal	72	107	519	53	-	751
Transfer from investment property	-	-	-	-	-	-
Balance as at 31 December 2019	**(3,425)**	**(311)**	**(2,926)**	**(2,325)**	**-**	**(8,987)**
Residual value as at 31 December 2018	**10,816**	**6**	**1,081**	**2,473**	**198**	**14,574**
Residual value as at 31 December 2019	**9,697**	**4**	**1,093**	**2,845**	**1**	**13,640**

As of the year ended 31 December 2019, the cost of fully depreciated property and equipment and amortized intangible assets that continue to be used by the Bank amounts to 3,549 thousand rubles.

The following is the information on the movement of property and equipment for the year ended 31 December 2018:

	Buildings and structures	Vehicles	Office and computer equipment, other	Intangible assets	Investments in intangible assets	Total
Initial cost						
Balance as at 31 December 2017	12,187	422	4,347	3,008	112	20,076
Acquisition	-	-	114	1,231	198	1,543
including modernization	-	-	*3*	*154*	-	*157*
Disposal	(1,525)	-	(181)	(133)	(112)	(1,951)
Transfer from investment property	3,422	-	-	-	-	3,422
Balance as at 31 December 2018	**14,084**	**422**	**4,280**	**4,106**	**198**	**23,090**
Accumulated depreciation						
Balance as at 31 December 2017	(3,475)	(407)	(3,151)	(1,309)	-	(8,342)
Accrued for the year	(468)	(9)	(219)	(452)	-	(1,148)
Disposal	898	-	171	128	-	1,197
Transfer from investment property	(223)	-	-	-	-	(223)
Balance as at 31 December 2018	**(3,268)**	**(416)**	**(3,199)**	**(1,633)**	**-**	**(8,516)**
Residual value as at 31 December 2017	**8,712**	**15**	**1,196**	**1,699**	**112**	**11,734**
Residual value as at 31 December 2018	**10,816**	**6**	**1,081**	**2,473**	**198**	**14,574**

As of the year ended 31 December 2018, the cost of fully depreciated property and equipment and amortized intangible assets that continue to be used by the Bank amounts to 3,731 thousand rubles.

14. RIGHT-OF-USE ASSETS

Right-of-use assets are presented as follows:

	Buildings and structures	Total
Balance as at 31 December 2018	**405**	**405**
Acquisition	133	133
Depreciation charge	(277)	(277)
Balance as at 31 December 2019	**261**	**261**

15. OTHER ASSETS

	31 December 2019	31 December 2018
Accrued commission income	165	152
Accrued lease income	80	92
Allowance for unearned income	(571)	(158)
Receivables	510	779
Allowance for covering possible losses on accounts receivable from economic activities	(59)	(464)
Total other financial assets	**125**	**401**
Property transferred to the Bank as repayment of debt	2,440	2,455
Taxes prepaid	2,199	82
Advance payments	765	171
Allowance for the impairment of inventories	157	(429)
Prepayments on capital investments	21	62
Other	(715)	-
Total other non-financial assets	**4,867**	**2,341**
Total other assets	**4,992**	**2,742**

The Bank has no restrictions on the sale of available assets and has no contractual obligations for the acquisition, construction or improvement of other property, its repair, technical maintenance or improvement.

The movement in the provision for other financial assets is presented as follows:

	2019				2018
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Allowance for other financial assets					
Balance as at 31 December	(622)	-	-	(622)	(12)
Effect of the first application of IFRS 9	-	-	-	-	(250)
Adjusted balance as at 1 January	(622)	-	-	(622)	(262)
(Accrual) / recovery of an allowance	(8)	-	-	(8)	(446)
Write-off	-	-	-	-	86
Balance as at 31 December	**(630)**	**-**	**-**	**(630)**	**(622)**

Movements in the allowance for the impairment of inventories are presented below:

	2019	2018
Allowance for the impairment of inventories		
Balance as at 1 January	(429)	(245)
Recovery/ (accrual) of an allowance	(286)	(184)
Balance as at 31 December	**(715)**	**(429)**

The maximum credit risk for other financial assets is equal to the net value of these assets, recorded in the statement of financial position in other assets.

16. DUE TO BANKS

	31 December 2019	31 December 2018
Correspondent accounts of banks	4,890	-
Cash received from resident banks for repurchase transactions	3,998	-
Loans and deposits from other banks	400	-
Accrued interest expenses on other passive transactions with other banks	5	7
Total amounts due to banks	**9,293**	**7**

As of 31 December 2019 and 31 December 2018, the Bank had no balances of banks exceeding 10% of the capital of the Bank.

17. DUE TO CUSTOMERS

	31 December 2019	31 December 2018
Legal entities		
- time deposits	29,231	23,468
- current (settlement) accounts	21,229	16,621
Individuals		
- time deposits	66,128	54,465
- current (settlement) accounts	12,684	12,368
Total amounts due to customers	**129,272**	**106,922**

As of 31 December 2019 and 31 December 2018, the Bank had no balances of customer funds exceeding 10 of the capital of the Bank.

18. DEBT SECURITIES ISSUED

	Issue	Maturity	% rate	31 December 2019	31 December 2018
Bonds denominated in foreign currency	8	18.09.2019	4.25%	-	8,142
BYN-denominated bonds	10	22.03.2023	10.57%	574	-
BYN-denominated bonds	11	20.04.2023	11.00%	1,103	1,606
BYN-denominated bonds	12	25.10.2023	11.00%	8,353	-
TOTAL				10,030	9,748

The information on changes in liabilities related to the financial activities of the Bank as at 31 December 2019 and 31 December 2018 is presented below:

	Debt securities issued
Book value as at 31 December 2017	**6,231**
Acquisition	30,706
Repayment	(27,933)
Interest paid	(1,029)
Foreign exchange differences	671
Interest accrued	1,102
Book value as at 31 December 2018	**9,748**
Acquisition	26,616
Repayment	(26,095)
Interest paid	(1,718)
Foreign exchange differences	(397)
Interest accrued	1,876
Book value as at 31 December 2019	**10,030**

19. FINANCE LEASE DEBT

	31 December 2019	31 December 2018
Debt on property and equipment received for rent, leasing	-	137
Total financial lease debt	**-**	**137**

In 2017 the Bank received property and equipment for leasing form two organizations. As at 31 December 2018 there is a debt on one lease agreement, as at 31 December 2019 there is no debt.

20. SUBORDINATED LOANS

In June 2015 the Bank received a subordinated loan from the shareholder company Alm Investments FZE in the amount of 3,500,000 and 4,500,000 US dollars. Maturity date under the contract terms is 30 June 2021, the interest rate equals to LIBOR + 6% rate.

At the reporting date the Bank's balance sheet includes balances of subordinated loans in the amount of 2,304 thousand US dollars and 4,500 thousand US dollars, respectively. Interest expenses on subordinated loans in 2019 amounted to 173 thousand rubles in equivalent. In accordance with the contractual terms the creditor shall not meet its requirements to the borrower before meeting requirements of other creditors in full.

The information on changes in liabilities related to the financial activities of the Bank as at 31 December 2019 and 31 December 2018 is presented below:

	Subordinated loans
Book value as at 31 December 2017	**16,132**
Acquisition	-
Replenishment of the share capital with the subordinated loan	2,785
Repayment	(5,570)
Foreign exchange differences	1,349
Book value as at 31 December 2018	**14,696**
Acquisition	-
Replenishment of the share capital with the subordinated loan	-
Repayment	-
Foreign exchange differences	(382)
Book value as at 31 December 2019	**14,314**

21. LEASE LIABILITIES

Lease liabilities are as follows:

	Buildings and structures	Total
Balance as at 31 December 2018	**405**	**405**
Acquisition	133	133
Interest expenses	(45)	(45)
Repayment	322	322
Balance as at 31 December 2019	**261**	**261**

22. OTHER LIABILITIES

	31 December 2019	31 December 2018
Other payables	586	591
Accrued commission expenses	242	45
Other operating expenses accrued	91	118
Deferred income	52	11
Other banking services expenses accrued	19	20
Total other financial liabilities	**990**	**785**
Tax accruals	800	207
Provision for unpaid leave	471	229
Allowance for credit related commitments	433	108
Deductions to the Individuals' Deposit Guarantee Fund	119	100
Other	-	16
Total other non-financial liabilities	**1,823**	**660**
Total other liabilities	**2,813**	**1,445**

The movement in the allowance for credit related commitments is presented in Note 34 "Contingent Assets and Liabilities".

23. EQUITY

As of 31 December 2019 and 31 December 2018, the announced, issued and fully paid share capital was presented as follows:

	31 December 2019	31 December 2018
Number of ordinary shares	14,662	14,662
Nominal value of 1 share, rubles	*2,455*	*2,455*
Nominal value of shares	35,988	35,988
Hyperinflation effect	37,651	37,651
Total share capital	**73,639**	**73,639**

In 2019, no investments were made in the Bank's share capital.

The increase in share capital in 2018 occurred due to the additional issue of ordinary shares in the amount of 1,704 pieces, 2,454.5 rubles each, for the total amount of 4,183 thousand rubles, respectively, which were acquired by Alm Investments FZE (UAE) and JLLC "Intersportproekt".

As at 31 December 2019 and 31 December 2018, all ordinary registered shares are fully paid, give the right to one vote, as well as the right to receive dividends and participate in net assets. All ordinary registered shares have equal rights with respect to net assets.

There are no rights, privileges or restrictions on the distribution of dividends and the placement of capital in respect of shareholders of the Bank. In the reporting year and in the year preceding the reporting one, the Bank did not buy or sell its own shares.

In accordance with the Belarusian legislation, the Bank distributes income as dividends or transfers income and retained earnings to fund accounts on the basis of financial statements, prepared in accordance with national accounting rules.

21.1 Basic earnings per ordinary share

Basic earnings per ordinary share are calculated by dividing the profit owned by shareholders holding ordinary shares of the Bank by the average weighted number of ordinary shares in circulation during the period, net of own shares purchased from shareholders.

The Bank does not have its own redeemed shares, as well as ordinary shares potentially diluting profit per share. Thus, diluted earnings per share are equal to basic earnings per share.

	31 December 2019	31 December 2018
Profit for the period owned by shareholders, thousand rubles	425	1,410
Average weighted number of ordinary shares in circulation, pieces	14,662	13,243
Basic earnings per ordinary share, thousand rubles	**0.0290**	**0.1065**

24. NET INTEREST INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Interest income on loans and receivables, including:	14,304	12,549
On loans to customers	*13,440*	*12,175*
On amounts due from banks	*93*	*238*
On financial assets measured at amortized cost	*286*	*136*
On financial assets measured at fair value through other comprehensive income	*485*	*-*
Other interest income	757	161
Total interest income	**15,061**	**12,710**
Interest expenses on financial liabilities measured at amortized cost, including:	(6,379)	(5,079)
On amounts due to customers and subordinated loans	*(5,343)*	*(4,251)*
On own issued securities	*(47)*	*(447)*
On amounts due to banks	*(989)*	*(381)*
Interest expenses on lease liability	(45)	-
Other interest expenses	(75)	(2)
Total interest expenses	**(6,499)**	**(5,081)**
Total net interest income	**8,562**	**7,629**

25. NET COMMISSION INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Commission income		
Commissions on transactions with customers	5,335	4,853
Commissions on transactions with bank payment cards	2,418	1,422
Commission for the services of the lease of depositary cells	-	25
Commissions on foreign currency transactions	1	13
Other	230	30
Total commission income	**7,984**	**6,343**
Commissions on transactions with customers	(2,647)	(1,540)
Commissions on transactions in AIS "Raschet"	(300)	(275)
Commissions on transactions with banks	(125)	(101)
Commissions on foreign currency transactions	(38)	(36)
Commissions on securities transactions	(18)	(8)
Other	(16)	(189)
Total commission expenses	**(3,144)**	**(2,149)**
Total net commission income	**4,840**	**4,194**

26. NET GAIN FROM TRANSACTIONS WITH FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2019	Year ended 31 December 2018
Gain from transactions with financial assets measured at fair value through profit or loss	9	44
Loss from transactions with financial assets measured at fair value through profit or loss	(47)	(8)
Total net gain from transactions with financial assets measured at fair value through profit or loss	**(38)**	**36**

27. NET GAIN FROM FOREIGN CURRENCY TRANSACTIONS

	Year ended 31 December 2019	Year ended 31 December 2018
Loss from exchange differences	(27)	(1,192)
Profit from foreign currency transactions	1,865	2,407
Total net gain from foreign currency transactions	**1,838**	**1,215**

28. NET GAIN ON OPERATIONS WITH FINANCIAL INSTRUMENTS AT AMORTIZED COST

	Year ended 31 December 2019	Year ended 31 December 2018
Gain from transactions with financial instruments measured at amortized cost	-	7
Total net gain on operations with financial instruments measured at amortized cost	**-**	**7**

29. NET GAIN ON OPERATIONS WITH PRECIOUS METALS AND GEMSTONES

	Year ended 31 December 2019	Year ended 31 December 2018
Gain from transactions with precious metals and gemstones	-	127
Total net gain on operations with precious metals and gemstones	**-**	**127**

30. NET OTHER INCOME

	Year ended 31 December 2019	Year ended 31 December 2018
Fines received	489	215
Lease proceeds	277	292
Bonuses and rewards	242	-
VISA program funding	135	12
Sum differences	63	11
Profit from previous years	61	239
State fees	54	100
Dividends and other income from assets available for sale	-	24
Net income (expenses) from disposal of property	(51)	377
Other	164	136
Total other income	**1,434**	**1,406**

31. PERSONNEL EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Bank employee benefits	5,467	4,937
Expenditures on contributions to the Social Protection Fund	1,750	1,600
Total personnel expenses	**7,217**	**6,537**

32. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Professional services	1,339	1,244
Software expenses	638	696
Taxes other than income tax	620	1,027
Insurance	488	23
Deductions to the Guarantee Fund for the Protection of Funds	433	383
Advertising & marketing	247	330
Repair and maintenance	233	246
Rent, utilities	182	594
Communication and information services	130	160
Transport expenses	130	134
Security	90	129
Office expenses	3	3
Other	329	461
Total administrative expenses	**4,862**	**5,430**

33. INCOME TAX EXPENSE

The Bank calculates 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 IFRSs.

Due to the fact that some types of expenses are not taken into account for taxation purposes, as well as due to the existence of income not subject to taxation, the Bank has certain tax differences.

During the periods ended 31 December 2019 and 31 December 2018, the republican tax rate for the banks of the Republic of Belarus was 25%.

Below is a comparison of the theoretical tax expense with the actual tax expenditure for the years ended 31 December 2019 and 31 December 2018:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit before tax	497	1,697
Estimated value of income tax at the statutory rate (25%)	124	424
Tax effect of income / (expenses) not involved in taxation	(71)	(331)
Changes in the amount of the unrecognized deferred tax asset	(125)	(380)
Total income tax expense	**(72)**	**(287)**

Income tax expense is presented as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax expense	(72)	(285)
Deferred income tax expense	-	-
Total income tax expense	**(72)**	**(287)**

Temporary differences as at 31 December 2019 and 31 December 2018 are presented as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Deductible temporary differences		
Property and equipment and intangible assets	6,008	6,172
Other assets and liabilities	2,693	2,375
Investment property	243	460
Financial assets measured at fair value through other comprehensive income	16	426
Total deductible temporary differences	**8,960**	**9,433**
Deferred tax asset at tax rate (25%)	**2,240**	**2,358**
Taxable temporary differences		
Loans to customers, cash and cash equivalents, amounts due from banks	(384)	(689)
Total taxable temporary differences	**(384)**	**(689)**
Deferred tax liability at tax rate (25%)	**(96)**	**(172)**
Unrecognized part of the deferred tax asset	(2,144)	(2,186)
Total net tax asset	**-**	**-**

Information on the movement of the deferred tax asset is presented as follows:

	Year ended 31 December 2019	Year ended 31 December 2018
Unrecognized deferred tax asset at the beginning of the year	2,186	1,790
Accrued for the year	(42)	396
Unrecognized part of the deferred tax asset	(2,144)	(2,186)
Balance as at 31 December	**-**	**-**

The Bank does not recognize a deferred tax asset due to uncertainties associated with the likelihood of taxable profit against which it would be possible to offset the deductible time difference.

34. CONTINGENT ASSETS AND LIABILITIES

Credit related commitments

In the course of its operations, the Bank uses financial instruments with off-balance risks to meet the needs of its customers. These instruments, which carry credit risks of varying degrees, are not reflected in the statement of financial position. The maximum risk of the Bank on conditional financial liabilities and loan liabilities in case of non-performance by the second party under the transaction of its obligations and impairment of all counterclaims and collateral is equivalent to the contractual value of these instruments.

The Bank applies the same credit policy for contingent liabilities as for financial instruments reflected in the statement of financial position.

The Bank's credit related commitments were as follows:

	31 December 2019	31 December 2018
Unused credit lines	14,705	15,234
Guarantees issued	2,802	7,214
Total credit related commitments	**17,507**	**22,448**
Less allowance for credit related commitments	(433)	(108)
Total credit related commitments	**17,074**	**22,340**

The movement in the allowance for credit related commitments is presented as follows:

	2019				2018
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Allowance for credit related commitments					
Balance as at 31 December	(108)	-	-	(108)	(201)
Effect of the first application of IFRS 9	-	-	-	-	31
Adjusted balance as at 1 January	(108)	-	-	(108)	(170)
(Accrual) / recovery of an allowance	(325)	-	-	(325)	62
Balance as at 31 December	**(433)**	**-**	**-**	**(433)**	**(108)**

Legal proceedings

Occasionally in the course of the operations of the Bank, customers and counterparties make claims against the Bank. Management believes that as a result of the proceedings on them the Bank will not incur significant losses and, accordingly, no provisions have been created in the financial statements.

Pension payments

Bank employees receive a pension in accordance with the legislation of the Republic of Belarus. As of 31 December 2019 and 31 December 2018, the Bank had no liabilities for additional benefits, pension health care, insurance, pension compensation to current or former staff members that would have been required to be charged.

Legislation

Some of the provisions of the Belarusian commercial legislation and tax legislation in particular, can be interpreted in different ways and, consequently, be applied inconsistently. In addition, since the interpretation of the legislation by the Management may differ from the official interpretation, and compliance with the laws can be changed by the controlling authorities, it may result in additional taxes and fees, as well as other preventative measures.

The tax system of the Republic of Belarus is characterized by the complexity and frequent changes of legislative norms, the presence of various official explanations and decisions of supervisory bodies, which at times are contradictory, allowing for an ambiguous interpretation. At the same time, there is no extensive judicial practice in the Republic of Belarus on tax matters.

Tax risks in the Republic of Belarus are higher than in other countries. Based on its understanding of the applicable Belarusian tax legislation, official explanations and decisions of the tax authorities, the Management of the Bank believes that tax liabilities are recognized in the adequate amount. However, the treatment of these provisions by the tax authorities may be different and if the tax authorities are able to prove the lawfulness of their position, it may have a significant impact on these financial statements.

35. OPERATING SEGMENTS OF THE BANK

Information on operating segments is disclosed on the basis of management reporting data generated by the main business lines of the Bank.

The Bank has three main segments in its operating segments: Retail banking business; Corporate banking business; Treasury, which includes transactions in the interbank loan markets, currency transactions and securities transactions.

All the above mentioned segments are classified by the Bank as reporting (the size of the assets of each operating segment is more than 10% of the total size of the assets of all operating segments). The operating segments were not combined.

*1. **Retail banking business**.* At the moment the Bank provides its customers with universal banking, including a full range of products and services most demanded by private individuals: lending, settlement and cash services, currency exchange operations, deposit operations, operations with precious metals and gemstones, issue and maintenance of bank payment cards, money transfers, leasing of safes and depository cells. The priority of the Bank in this operating segment in 2019 was a prompt response to rapidly changing market conditions and the adaptation of the product line to the current market situation, fully and comprehensively meeting customer needs. To maintain the client base, the Bank operated credit products that ensure more favorable lending terms for customers who applied to the Bank for a loan again.

*2. **Corporate banking business*** The Bank's corporate banking business specializes in providing comprehensive services to legal entities and individual entrepreneurs, providing customers with a wide range of banking products and services, including cash and settlement services, credit operations, foreign exchange transactions, and foreign trade operations services for customers. The development of corporate business is focused on the diversification of the client base. Much attention is paid to improving the level and quality of customer service.

*3. **Treasury*** The Bank's Treasury includes four main areas of activity: operations with financial institutions (banks), including borrowing and placement on the domestic market; the issuance and placement of own debt securities, the implementation of operations with securities; foreign exchange transactions (including the purchase and sale of foreign currency by customers on the Belarusian Currency and Stock Exchange) and derivative financial instruments; depositary services to customers.

As at 31 December 2019:

Key indicators	Retail business	Corporate business	Treasury	Unallocated part	Total
Assets and liabilities					
Amounts due to banks; loans to customers; financial assets measured at amortized and fair value; investment property; property and equipment and intangible assets; right-of-use assets	53,614	82,993	52,442	14,193	203,242
Amounts due to banks; amounts due to customers; debt securities issued; financial lease debt; subordinated loans; lease liabilities	78,167	75,449	9,293	261	163,170
Other assets	-	-	-	4,992	4,992
Other liabilities	-	-	-	2,813	2,813
Income and expenses					
Interest income	6,015	7,631	1,415	-	15,061
Interest expenses	(3,759)	(1,642)	(1,098)	-	(6,499)
Commission income	6,807	1,172	5	-	7,984
Commission expenses	(3,098)	-	(46)	-	(3,144)
Net gain from transactions with financial assets measured at fair value through profit or loss	-	-	30	-	30
Net profit on financial instruments at amortized cost	-	-	1,838	-	1,838
Net income on foreign exchange, precious metals and gemstones	-	-	(38)	-	(38)
Net (accrual) / recovery of other allowances, net (accrual) / recovery of the allowance for impairment of financial assets, credit related commitments and inventories	225	(1,734)	(512)	(559)	(2,580)
Other income	-	-	-	1,434	1,434
Personnel expenses, amortization/ depreciation, administrative expenses	-	-	-	(1, 589)	(13,589)
Financial result	6,190	5,427	1,594	(12,714)	497

As at 31 December 2018:-

Key indicators	Retail business	Corporate business	Treasury	Unallocated part	Total
Assets and liabilities					
Amounts due to banks; loans to customers; financial assets measured at amortized and fair value; investment property; property and equipment and intangible assets; right-of-use assets	43,640	68,623	44,967	14,809	172,039
Amounts due to banks; amounts due to customers; debt securities issued; financial lease debt; subordinated loans; lease liabilities	66,184	65,182	7	137	131,510
Other assets	-	-	-	2,742	2,742
Other liabilities	-	-	-	1,445	1,445
Income and expenses					
Interest income	5,928	5,597	1,037	-	12,562
Interest expenses	(2,930)	(1,312)	(839)	-	(5,081)
Commission income	5,213	1,277	1	-	6,491
Commission expenses	(2,016)	-	(133)	-	(2,149)
Net gain from transactions with financial assets measured at fair value through profit or loss	-	-	36	-	36
Net profit on financial instruments at amortized cost	-	-	7	-	7
Net income on foreign exchange, precious metals and gemstones	127	-	1,215	-	1,342
Net (accrual) / recovery of other allowances, net (accrual) / recovery of the allowance for impairment of financial assets, credit related commitments and inventories	225	829	(90)	(536)	428
Other income	-	24	-	1,382	1,406
Personnel expenses, amortization/ depreciation, administrative expenses	-	-	-	(13,345)	(13,345)
Financial result	**6,547**	**6,415**	**1,234**	**(12,499)**	**1,697**

36. RISK MANAGEMENT

The Bank manages risks in relation to financial risks (credit, market, country, currency risks, liquidity and interest rate risks), as well as operational risks. The main task of managing financial risks is to minimize the Bank's exposure to banking risks while ensuring a set level of profitability of operations. The assessment of assumed risk also serves as the basis for the optimal allocation of capital, taking into account risks, pricing on operations and evaluation of performance. Operational and legal risk management should ensure proper compliance with internal regulations and procedures in order to minimize these risks.

Credit risk

The Bank assumes credit risk which is the risk that the Bank will incur a loss because its counterparty fails to discharge its contractual financial liabilities to the Bank, or discharged them in an untimely fashion or not in full. The main purpose of managing credit risk is to improve the quality of the Bank's loan portfolio by minimizing its risk.

The main strategic goal of the Bank in the field of credit risk management is to ensure the financial reliability, safe operation and sustainable development of the Bank.

To manage the level of credit risk, the Bank regularly monitors credit risk by individual borrower, as well as each contract and for the Bank's loan portfolio as a whole by monthly studying the system of indicators. The Bank controls credit risk by setting limits on one borrower or a group of related borrowers. Credit risk limits for carrying out active operations within the authority are approved by the Supervisory Board of the Bank and may be revised by the Bank's management bodies as necessary within the authority. Limits are set by type of loans, categories of borrowers or groups of interrelated borrowers, by loans in certain areas, by the most risky areas of lending. Actual compliance with the limits is monitored on a daily basis at the level of heads of structural divisions and the Risk Management System Development Department. In case of exceeding the standard values of the indicators, the heads of the Bank's structural divisions inform the Chairperson of the Management Board of the Bank.

Credit risk management is carried out through regular analysis of the ability of existing and potential borrowers to repay interest payments and the amount of principal debt, as well as through changing credit limits if necessary. In addition, the Bank manages credit risk, in particular, by obtaining collateral and guarantees of companies and individuals. The Bank carries out loan analysis by maturities and the subsequent control of overdue balances. Due to this, the Management is provided with information on the terms of debt.

Types of activity that are subject to credit risk and bear the corresponding maximum credit risk include:

(a) providing loans and borrowings to customers and placing deposits in other organizations. In these cases, the maximum credit risk is equal to the value of the relevant financial assets, as presented in the statement of financial position;

(b) the conclusion of contracts on derivative financial instruments, for example, foreign exchange contracts. The maximum credit risk at the end of the reporting period will be equal to the value as presented in the statement of financial position;

(c) provision of financial guarantees. In this case, the maximum credit risk is equal to the maximum amount that the Bank can pay if the guarantee is executed;

(d) the provision of a lending liability that is not subject to cancellation during the term of the validity or is canceled only as a result of a material adverse change. If the issuer is unable to fulfill the loan liabilities using cash or other financial instruments, the maximum credit risk is equal to the full amount of the liability.

Credit risk for financial instruments that are not recognized in the statement of financial position is defined as the probability of loss due to the inability of another participant in a transaction with this financial instrument to fulfill the terms of the contract. Regarding the credit risk of the loan liabilities, the Bank is potentially subject to losses in an amount equal to the total amount of unused liabilities.

However, the estimated amount of losses is less than the total amount of unused liabilities, since most loan liabilities depend on customers who support certain loan standards. The Bank applies the same credit policy with respect to contingent liabilities as it does with financial instruments recognized in the statement of financial position, based on the procedures for approving transactions, using risk limits, and monitoring. The Bank controls the maturity of credit related commitments that are not recognized in the statement of financial position, since the longer is the maturity of contingent liabilities, the higher is the credit risk.

The Bank monitors credit risk by borrower, contracts, market segments and the Bank's loan portfolio as a whole by analyzing risk factors and evaluating local indicators and prudential standards set by the National Bank of Belarus on a monthly basis. For each local indicator, limits are set and approved by the Bank's Management Board annually, which allows to minimize and limit the Bank's credit risks. In addition, the Risk Management Department carries out stress-testing of the level of credit risk on a quarterly basis.

The table below shows the analysis of financial assets by loan quality in accordance with the availability of ratings of international rating agencies Standard&Poor's and Fitch as at 31 December 2019.

31 December 2019	from AAA to A-	from BBB+ to BBB-	from BB+ to B-	CCC and lower	Credit rating not assigned	Total
Financial assets						
Cash and cash equivalents (net of cash on hand)	221	2,559	4,780	-	20,122	27,682
Due from banks	-	-	2,260	-	1,681	3,941
Loans to customers	-	-	-	-	128,101	128,101
Financial assets measured at fair value through profit or loss	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	22,132	22,132
Other financial assets	-	-	-	-	125	125
Total financial assets	221	2,559	7,040	-	172,161	181,981

The table below shows the analysis of financial assets by loan quality in accordance with the availability of ratings of international rating agencies Standard&Poor's and Fitch as at 31 December 2018.

31 December 2018	from AAA to A-	from BBB+ to BBB-	from BB+ to B-	CCC and lower	Credit rating not assigned	Total
Financial assets						
Cash and cash equivalents (net of cash on hand)	589	501	4,311	-	31,378	36,779
Due from banks	-	-	1,440	-	1,360	2,800
Loans to customers	-	-	-	-	113,736	113,736
Financial assets measured at fair value through profit or loss	-	-	-	-	7	7
Financial assets measured at fair value through other comprehensive income	-	-	-	-	34	34
Other financial assets	-	-	-	-	401	401
Total financial assets	**589**	**501**	**5,751**	**-**	**146,916**	**153,757**

Market risk

The Bank assumes the market risk associated with open positions in interest rate, currency, debt and equity instruments that are subject to the risk of general and specific market changes. The management strategy for this type of risk and direct control is carried out under the guidance of the Bank's Management Board and the Bank's Financial Committee.

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

The concentration of market risk is manifested in investments in homogeneous financial instruments of one counterparty, trading portfolio, individual currencies, goods, market prices for which change under the influence of the same economic factors.

The Management Board of the Bank sets limits on the level of assumed risk. Compliance with set limits is controlled on a daily basis.

Country risk

Country risk is the risk of losses of the Bank as a result of the influence of both internal and external factors independent of the financial position of counterparties of Bank (for example, non-conformity of contracts to the legislation of foreign states; non-fulfillment by foreign counterparties of obligations due to economic, political, social and other changes in the conditions of its activity).

The following is a geographical analysis of the assets and liabilities of the Bank as at 31 December 2019:

31 December 2019	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	32,039	534	2,625	35,198
Due from banks	3,941	-	-	3,941
Loans to customers	126,171	-	1,930	128,101
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at fair value through other comprehensive income	22,132	-	-	22,132
Other financial assets	125	-	-	125
Total financial assets	**184,408**	**534**	**4,555**	**189,497**
Financial liabilities				
Due to banks	4,788	-	4,505	9,293
Due to customers	114,359	534	14,379	129,272
Debt securities issued	10,030	-	-	10,030
Finance lease debt	-	-	-	-
Subordinated loans	-	-	14,314	14,314
Lease liabilities	261	-	-	261
Other financial liabilities	990	-	-	990
Total financial liabilities	**130,428**	**534**	**33,198**	**164,160**
Net balance sheet position	**53,980**	**-**	**(28,643)**	**25,337**

he following is a geographical analysis of the assets and liabilities of the Bank as at 31 December 2018:

31 December 2018	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	40,100	553	-	40,653
Due from banks	2,800	-	-	2,800
Loans to customers	111,257	-	2,479	113,736
Financial assets measured at fair value through profit or loss	7	-	-	7
Financial assets measured at fair value through other comprehensive income	8	-	26	34
Other financial assets	348	-	53	401
Total financial assets	**154,520**	**553**	**2,558**	**157,631**
Financial liabilities				
Due to banks	-	-	7	7
Due to customers	103,898	13	3,011	106,922
Debt securities issued	9,748	-	-	9,748
Finance lease debt	137	-	-	137
Subordinated loans	-	-	14,696	14,696
Lease liabilities	-	-	-	-

31 December 2018	Belarus	OECD countries	Other countries	Total
Other financial liabilities	785	-	-	785
Total financial liabilities	**114,568**	**13**	**17,714**	**132,295**
Net balance sheet position	**39,952**	**540**	**(15,156)**	**25,336**

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The financial position and cash flows of the Bank are subject to fluctuations in foreign exchange rates.

The Bank sets limits on the level of accepted risk in terms of currencies and in general, both at the end of each day and within one day, and monitors compliance with them on a daily basis. Control over the state of the open currency position and its actual size, as well as compliance with the single limits of the open currency position and limits for each type of foreign currency as a whole for the Bank is carried out by the Treasury on the basis of accounting data on balance and off-balance accounts for each day.

The table below provides an analysis of the currency risk of the Bank as of 31 December 2019. The assets and liabilities of the Bank are reflected in the table of value reflected in the statement of financial position by principal currencies:

31 December 2019	BYN	EUR	USD	Other currencies	Total
Financial assets					
Cash and cash equivalents	19,469	6,293	7,538	1,898	35,198
Due from banks	1,628	-	2,313	-	3,941
Loans to customers	63,264	12,689	48,176	3,972	128,101
Financial assets measured at fair value through profit or loss	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	10,015	-	12,117	-	22,132
Other financial assets	41	3	81	-	125
Total financial assets	**94,417**	**18,985**	**70,225**	**5,870**	**189,497**
Financial liabilities					
Due to banks	4,759	4,517	17	-	9,293
Due to customers	50,615	15,481	59,487	3,689	129,272
Debt securities issued	10,030	-	-	-	10,030
Finance lease debt	-	-	-	-	-
Subordinated loans	-	-	14,314	-	14,314
Lease liabilities	12	230	19	-	261
Other financial liabilities	685	4	301	-	990
Total financial liabilities	66,101	20,232	74,138	3,689	164,160
Net balance sheet position	28,316	(1,247)	(3,913)	2,181	25,337

The table below provides an analysis of the currency risk of the Bank as of 31 December 2018. The assets and liabilities of the Bank are reflected in the table of value reflected in the statement of financial position by principal currencies:

31 December 2018	BYN	EUR	USD	Other currencies	Total
Financial assets					
Cash and cash equivalents	28,564	8,266	2,977	846	40,653
Due from banks	1,331	-	1,469	-	2,800
Loans to customers	47,499	15,439	50,072	726	113,736
Financial assets measured at fair value through profit or loss	7	-	-	-	7
Financial assets measured at fair value through other comprehensive income	34	-	-	-	34
Other financial assets	317	3	81	-	401
Total financial assets	**77,752**	**23,708**	**54,599**	**1,572**	**157,631**
Financial liabilities					
Due to banks	-	-	-	7	7
Due to customers	48,661	9,001	47,900	1,360	106,922
Debt securities issued	1,607	-	8,141	-	9,748
Finance lease debt	137	-	-	-	137
Subordinated loans	-	-	14,696	-	14,696
Lease liabilities	-	-	-	-	-
Other financial liabilities	471	11	303	-	785
Total financial liabilities	**50, 876**	**9,012**	**71,040**	**1,367**	**132,295**
Net balance sheet position	**26,876**	**14,696**	**(16,441)**	**205**	**25,336**

The table below presents an analysis of the Bank's sensitivity in 2019 and 2018 to a 10% weakening of the national currency rate against the US dollar, Euro and other currencies, respectively. The analysis suggests that other factors, such as interest rates, remain unchanged.

	31 December 2019 10%	31 December 2018 10%
Effect on profit before tax		
USD	(1 168)	(1,644)
EUR	(305)	1,470
Other currencies	654	21
Effect on total income including taxation		
USD	(876)	(1,233)
EUR	(229)	1,102
Other currencies	491	15

Liquidity risk

Liquidity risk is the risk of difficulties arising from the settlement of financial liabilities through the payment of cash or other financial assets.

The Bank is exposed to the risk due to the daily requirements to have fund for performing settlements transactions n customer accounts, for deposit withdrawals, for loan granting, for settlements on guarantees executed and in derivatives which are settled in cash The Bank does not reserve funds for simultaneous fulfillment of all those obligations based on the practical experience the level of cash and cash equivalents required for meeting obligations can be forecasted with the sufficient probability. The liquidity risk is managed at all levels in the Bank.

The Bank maintains stable financing base, which comprises mainly current accounts and deposits of corporate customers and individuals, loans and other advances from other banks, and invests funds in diversified portfolio of liquid assets in order to have a possibility without delays meet unforeseen liquidity requirements.

The Financial Committee is the main body that determines the Bank's policy on managing active and passive operations aimed at increasing the Bank's interest and non-interest income while maintaining adequate liquidity, consistency of assets and liabilities by maturity, compliance with prudential standards established by the National Bank, and minimizing the impact of risks inherent to the financial market on the Bank, implementing the relevant policy in the field of liquidity, control and decision-making on effective and high-quality liquidity management.

The Financial Committee carries out the general liquidity management and coordinates the work of the business units, takes actions to minimize the imbalance between assets and liabilities with a floating and fixed interest rate. Constant monitoring (analysis) of the state of short-term liquidity of the Bank's balance and dynamics of its changes, control over the level of liquidity indicators is carried out with the interaction of all participants of the internal control system in accordance with the powers defined in local regulatory legal acts and administrative documents of the Bank.

Information on the maturities of financial assets and liabilities is provided to the Treasury. The Treasury ensures that there is an adequate portfolio of short-term liquid assets, mainly consisting of deposits in banks and other interbank instruments, to maintain a sufficient level of liquidity for the Bank as a whole.

The Treasury controls the daily liquidity position and regularly performs stress-testing on liquidity based on different scenarios, which include ordinary and more negative market conditions.

The table below show an analysis representing the remaining maturity of financial liabilities calculated for undiscounted cash flows of financial liabilities (principal debt and interest) at the earliest date when the Bank will be obliged to repay the liability as at 31 December 2019.

31 December 2019	Value in the statement of financial position	Undiscounted cash flow	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year
Financial liabilities						
Due to banks	9,293	9,293	9,293	-	-	-
Due to customers	129,272	105,833	43,591	24,956	27,971	9,315
Debt securities issued	10,030	14,149	93	455	555	13,046
Finance lease debt	-	-	-	-	-	-
Subordinated loans	14,314	19,585	47	229	281	19,028
Lease liabilities	261	261	25	110	70	56
Other financial liabilities	990	990	990	-	-	-
Total potential future payments on financial liabilities	164,160	150,111	54,039	25,750	28,877	41,445

The table below shows the analysis of financial liabilities due to their maturities as at 31 December 2018:

31 December 2018	Value in the statement of financial position	Undiscounted cash flow	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year
Financial liabilities						
Due to banks	7	7	7	-	-	-
Due to customers	106,922	106,997	44,755	24,956	27,971	9,315
Debt securities issued	9,748	10,756	44	215	8,307	2,190
Finance lease debt	137	137	4	20	24	89
Subordinated loans	14,696	19,585	47	229	281	19,028
Lease liabilities	-	-	-	-	-	-
Other financial liabilities	785	785	785	-	-	-
Total potential future payments on financial liabilities	132,295	138,267	45,642	25,420	36,583	30,622

The Bank has sufficient amount of liquid and current assets to meet its current liabilities as they fall due.

Interest rate risk

The interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the influence of fluctuations in prevailing market interest rates on its financial position and cash flows. Such fluctuations may result in increase of interest margin, but in case of unexpected changes of interest rates can also decrease the interest margin or generate losses. All financial assets and liabilities of the Bank having a floating interest rate are exposed to interest rate risk.

The Bank is subject to interest rate risk mainly on loans granted at floating interest rates in amount and for period which differ from the amounts and periods of fund raising at floating interest rates. In practice interest rates, as a rule, are set for a short-term period. However, although interest rates are mostly fixed in agreements for both financial assets and liabilities they are often reviewed based on mutual agreement in accordance with the current market situation in the short term.

Cash flow sensitivity analysis to changes in interest rates

A change in the interest rate by 1,000 basis points as at the reporting date would have increased /(decreased) income before tax and equity by the amounts indicated below. The analysis implies that all other factors remain constant.

	31 December 2019		31 December 2018	
	Interest rates +10 p.p.	Interest rates -10 p.p.	Interest rates +10 p.p.	Interest rates -10 p.p.
Effect on profit before tax				
Floating interest rate instruments	6,034	(6,034)	(2,938)	2,938
Impact on equity				
Floating interest rate instruments	4,525	(4,525)	(2,204)	2,204

Operational risk

Operational risk is the risk of loss and (or) additional costs incurred by the Bank as a result of non-compliance of the procedures established by the Bank for banking operations and other transactions with legislation or their violation by Bank employees, incompetence or errors of employees of the Bank, inconsistency or failure of the systems used by the Bank, including information systems, as well as a result of external factors.

The Bank's objective is to manage operational risk in order to avoid financial losses and damage to its reputation at minimal cost and to avoid control procedures that constrain initiative and creativity.

The Bank's Management is responsible for the development and implementation of controls to minimize operational risk.

37. CAPITAL MANAGEMENT

The Bank manages its capital to ensure compliance with legal requirements and to ensure the going concern while setting the goal of ensuring profit by optimizing the balance of liabilities and the capital of the Bank.

The Bank reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the regulatory level of capital with quantitatively expressed risks. The Management of the Bank analyses the capital adequacy and risks of each assets' level.

The requirement of the National Bank for the minimum amount of regulatory capital calculated on the basis of accounting records prepared in accordance with Belarusian legislation for banks is to maintain the amount of regulatory capital at a minimum level of 57,41 million rubles with a quarterly adjustment to the value of consumer price index. The regulatory value of regulatory capital as at 1 January 2020 was 57,47 million rubles.

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

	31 December 2019	31 December 2018
Basic capital	31,771	33,287
Tier 2 capital	27,348	27,845
Total regulatory capital	**59,119**	**61,132**
Risk-weighted assets	155,026	137,888
Capital adequacy ratio	**31,8%**	**37,8%**

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recognized at fair value

The following is a description of the determination of fair value for financial instruments which are recognized at fair value using valuation methodologies. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

Fair value is defined as the amount at which the instrument can be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than forced sale or liquidation. The best evidence of the fair value is the quotation of financial instruments in an active market. As there is no active market for the main part of the financial instruments of the Bank, their fair value is determined based on the current market situation and specific risk attributable to the specific instrument. The estimates presented herein are not necessarily indicative in the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following table below provide the analysis of financial instruments presented at fair value by the level of the hierarchy of sources of fair value:

31 December 2019	Quotes in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	22,132	-	22,132

31 December 2018	Quotes in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets measured at fair value through profit or loss	-	7	-	7
Financial assets measured at fair value through other comprehensive income	-	34	-	34

Financial instruments not recorded at fair value in the statement of financial position

The table below presents the fair value of the Bank's financial instruments. The table does not include the fair values of non-financial assets and non-financial liabilities:

	Book value as at 31.12.2019	Fair value as at 31.12.2019	Book value as at 31.12.2018	Fair value as at 31.12.2018
Financial assets				
Cash and cash equivalents	35,198	35,198	40,653	40,653
Due from banks	3,941	3,941	2,800	2,800
Loans to customers	128,101	131,153	113,736	111,414
Other financial assets	125	125	401	401
Total financial assets	**167,365**	**170,417**	**157,590**	**155,268**
Financial liabilities				
Due to banks	9,293	9,293	7	7
Due to customers	129,272	129,272	106,922	106,922
Debt securities issued	10,030	10,030	9,748	9,748
Finance lease debt	-	-	137	137
Subordinated loans	14,314	14,314	14,696	14,696
Lease liabilities	261	261	-	-
Other financial liabilities	990	990	785	785
Total financial liabilities	**164,160**	**164,160**	**132,295**	**132,295**

Ниже описаны методики и допущения, использованные при определении справедливой стоимости тех финансовых инструментов, которые не отражены в настоящей финансовой отчетности по справедливой стоимости.

Assets for which fair value approximates their book value

In the case of financial assets and financial liabilities that are liquid or have a short maturity (less than three months), and in the case of financial assets and liabilities, denominated in foreign currency, it is assumed that their fair value is approximately equal to the book value.

This assumption is also applied to demand deposits and savings accounts without a specific maturity. In the case of financial instruments with a floating interest rate, the changes of which are related to changes in the refinancing the National Bank of the Republic of Belarus, it is assumed that their fair value is also approximately equal to their book value.

Fixed and floating rate financial instruments

For quoted debt instruments, fair values are calculated based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using the current interest rate taking into account the remaining maturities for debt instruments with similar terms and credit risk.

39. ANALYSIS OF MATURITIES OF ASSETS AND LIABILITIES

The table below presents assets and liabilities by expected maturities:

	2019 Within one year	2019 More than one year	2019 Total	2018 Within one year	2018 More than one year	2018 Total
Assets						
Cash and cash equivalents	35,198	-	35 198	40,653	-	40,653
Due from banks	1,528	2,413	3,941	1,331	1,469	2,800
Loans to customers	36,928	91,173	128,101	51,583	62,153	113,736
Financial assets measured at fair value through profit or loss	-	-	-	7	-	7
Financial assets measured at fair value through other comprehensive income	13,843	8,289	22,132	-	34	34
Investment property	-	292	292	-	235	235
Property and equipment and intangible assets	-	13,640	13,640	-	14,574	14,574
Right-of-use assets	-	261	261			
Other assets	4,992	-	4,992	2,742	-	2,742
Total assets	**92,489**	**116,068**	**208,557**	**96,316**	**78,465**	**174,781**
Liabilities						
Due to banks	9,293	-	9,293	7	-	7
Due to customers	112,669	16,603	129,272	80,421	26,501	106,922
Debt securities issued	-	10,030	10,030	8,142	1,606	9,748
Finance lease debt	-	-	-	137	-	137
Subordinated loans	-	14,314	14,314	-	14,696	14,696
Lease liabilities		261	261			
Other liabilities	2,813	-	2,813	1,445	-	1,445
Total liabilities	**124,775**	**41,208**	**165,983**	**90,152**	**42,803**	**132,955**
Net long balance sheet position	**(32,286)**	**74,860**	**42,574**	**6,164**	**35,662**	**41,826**

Information on the contractual undiscounted liabilities of the Bank before maturity is disclosed in Note 36 "Risk Management".

40. RELATED PARTIES TRANSACTIONS

In the ordinary course of business the Bank carries out transactions with its shareholders, management of the Bank and other related parties. These transactions include settlements, lending, raising of deposits, financing of trade and foreign currency transactions. Based on the Bank's policy all transactions with related parties are carried out on the same terms as those with third parties.

The amounts included in the statement of financial position on transactions with related parties were as follows:

	31 December 2019	31 December 2018
Loans to customers	12,289	10,611
Allowance for impairment on loans to customers	(99)	(294)
Total	**12,190**	**10,317**

As at 31 December 2019 loan liabilities to the Bank are owned by JLLC "Intersportproekt", UE "Technohimtreid", CJSC "Holography Industry", JV "Saturninfo".

As collateral under the two loan agreements, the following are presented: pledge of real estate, pledge of property and equipment.

The following are the funds raised from related parties:

	31 December 2019	31 December 2018
Due to customers	18,424	19 206
Subordinated loans	14,314	14,696
Own securities issued	-	5,946
Total	**32,738**	**39,848**

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

	31 December 2019	31 December 2018
Interest income and expenses		
Interest income	16	252
Interest expenses	(255)	(596)
Total	**(239)**	**(344)**

Remuneration to key management personnel of the Bank for 2019 amounted to 1,349 thousand rubles (including salary in the amount of 1 345 thousand rubles, interest on deposits in the amount of 4 thousand rubles), remuneration to the members of the Supervisory Board amounted to 169 thousand rubles).

Remuneration to key management personnel of the Bank for 2018 amounted to 485 thousand rubles (including salary in the amount of 482 thousand rubles, interest on deposits in the amount of 3 thousand rubles), remuneration to the members of the Supervisory Board amounted to 173 thousand rubles).

Composition of the controlling party: legal entities — JLLC "Intersportproekt", JV "Saturninfo", Alm Investment FZE; individuals members of the Supervisory Board of the Bank.

	31 December 2019	31 December 2018
Remuneration to key management personnel, Supervisory Board	1 514	655
Total	**1 514**	**655**

41. SUBSEQUENT EVENTS

On February 19, 2020, the National Bank lowered the refinancing rate to 8 percent per annum (refinancing rate is established from 20 May 2020). During 2019 and before the reporting date, the refinancing rate was reduced 3 times (as at 1 January 2019, it was 10%, from 14 August 2019 - 9.5%, from 20 November 2019 – 9.0%, from 19 February 2020).

On March 11, 2020, the World Health Organization announced an outbreak of coronavirus infection with COVID-19 as a pandemic. At the reporting date, the distribution of COVID-19 has a significant impact on the global economy due to global quarantine measures. Thus, the main significant factor of an atypical nature is the COVID-19 virus pandemic. All other events, including changes made by the National Bank in the regulation of banking activities, are caused by this factor.

The official exchange rate of the national currency, established by the National Bank relative to major world currencies, has significantly decreased:

Currency	BYN per currency unit, 31 December 2019	Currency, 22 May 2020
USD	2,1036	2,3856
EUR	2,3524	2,6156

At the reporting date, the Bank's management does not consider it possible to reliably assess the negative impact of the COVID-19 pandemic on the Bank's activities, since due to the short period of time from the outbreak to the reporting date, there is not enough information about the impact of the pandemic on the economy of the Republic of Belarus in in general and the Bank in particular. However, it should be noted that in future reporting periods the impact of the pandemic on the financial condition of the Bank is expected, which will be caused by a deterioration in the financial condition of the Bank's customers (deterioration of solvency due to violation of business cycles caused by quarantine measures in the world).

Despite the spread of the COVID-19 pandemic as of the reporting date, the Bank's activities are carried out as usual with the widest possible use of remote work opportunities for the Bank's employees. The Bank will continue to monitor the development of the situation with the coronavirus infection, and will also analyze the possible impact of changing micro and macroeconomic conditions on the Bank's financial position and results of operations.