Translation from the original in Russian

Bank BelVEB OJSC

Consolidated financial statements

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

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Independent auditor's report on the consolidated financial statements of Belvnesheconombank Open Joint Stock Company for the period from 1 January 2021 to 31 December 2021

To Mr. Vasil S. Matsiusheuski,
Chairman of the Management Board of Bank BelVEB OJSC

To the Shareholders, the Supervisory Board, the Audit Committee and the Management Board of Bank BelVEB OJSC

Opinion

We have audited the consolidated financial statements of Belvnesheconombank Open Joint Stock Company and its subsidiaries (hereinafter, "Bank BelVEB OJSC" or the "Bank") (address: 29 Pobediteley av., Minsk, Republic of Belarus, 220004; date of state registration: 12 December 1991; registration number in the State Register of Legal Entities and Individual Entrepreneurs: 100010078), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with the Law of the Republic of Belarus *On Auditing Activity*, National Rules for Auditing Activities effective in the Republic of Belarus and International Standards on Auditing (ISA). Our responsibilities under those rules and standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including international independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Allowance for expected credit losses on loans to customers in accordance with IFRS 9	
The estimation of the allowance for expected credit losses on loans to customers is a key area of judgment for the Bank's management. Identification of factors of a significant increase in credit risk, including identification of the change in the risk of default occurring over the remaining life of the financial instrument, identification of default (impairment stages) and estimation of its probability, the level of recovery and macroeconomic forecast ratio require the significant use of professional judgment and assumptions. The use of various models and assumptions in the calculation of expected credit losses can significantly affect the amount of the allowance for expected credit losses on loans to customers. Due to substantial amounts of loans to customers and an extensive use of professional judgment, the estimation of the allowance for expected credit losses is a key audit matter. The information on the allowance for expected credit losses on loans to customers and the Bank's management approach to assessing and managing credit risk are described in Notes 3, 10 and 29 to the consolidated financial statements.	Our audit procedures included the analysis of the methodology for assessing the allowance for expected credit losses on loans to individuals and legal entities, testing of controls over the customer lending process, including testing of controls over the accounting for overdue debt and procedures to identify factors of a significant increase in credit risk and indicators of loan impairment. In respect of the assessment of the allowance for expected credit losses on loans to legal entities, we reviewed assumptions, tested input data used by the Bank, and analyzed the model for assessing the probability of default, the level of recovery and macroeconomic forecast ratio. We reviewed the classification of loans by credit quality stage and recalculated the allowance for expected credit losses. Our audit procedures also included the recalculation of the allowance for individually significant loans and loans with higher credit risk exposure. We analyzed the financial position of the borrowers and the Bank's strategy to collect outstanding amounts under impaired loans. We reviewed consistency of management's assumptions applied in calculating the allowance for expected credit losses. We analyzed information related to the allowance for expected credit losses on loans, disclosed in the notes to the consolidated financial statements.

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Responsibilities of management and the Audit Committee of Bank BelVEB OJSC for the consolidated financial statements

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

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

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

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

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

As part of an audit in accordance with Law of the Republic of Belarus *On Auditing Activity*, National Rules for Auditing Activities effective in the Republic of Belarus, and 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 consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of entities or business activities within the Bank to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Bank. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board and the Audit Committee of Bank BelVEB OJSC regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board and the Audit Committee of Bank BelVEB OJSC 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, threat mitigation actions or related safeguards.

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

I.V. Stankevich
Associate Partner, FCCA
Audit Director
Ernst & Young LLC

O.M. Yarmakovich
Head of the Audit Department -
Auditor, FCCA

18 March 2022

Audit report received by:

Chairman of the Management Board of
Bank BelVEB OJSC

Vasil S. Matsiusheuski

Details of the audit firm

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

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Consolidated statement of financial position

As at 31 December 2021

(Thousands of Belarusian rubles)

	Notes	*2021*	*2020*
Assets			
Cash and cash equivalents	6	1,283,524	836,947
Precious metals		–	21
Trading securities	7	5,640	–
Amounts due from credit institutions	8	41,878	53,957
Derivative financial assets	9	2,180	32
Loans to customers	10	2,967,527	3,543,672
Investment securities	11	631,444	518,687
Investments in associates and jointly controlled entities	12	7,209	2,546
Property and equipment	13	63,763	53,599
Right-of-use assets	14	14,437	10,405
Intangible assets	15	45,396	40,520
Current income tax asset		3,400	436
Other assets	18	42,293	32,232
Total assets		**5,108,691**	**5,093,054**
Liabilities			
Amounts due to credit institutions	19	1,513,791	1,408,298
Amounts due to the National Bank of the Republic of Belarus	20	37,452	26
Derivative financial liabilities	9	285	7,860
Amounts due to customers	21	2,466,815	2,600,298
Debt securities issued	22	113,123	78,457
Lease liabilities		13,337	11,853
Current income tax liabilities		3,154	155
Deferred income tax liabilities	16	13,442	16,918
Other liabilities and provisions	18	63,663	57,956
Subordinated loans	23	253,455	257,467
Total liabilities		**4,478,517**	**4,439,288**
Equity			
Share capital	24	473,057	473,057
Share premium		458	458
Additional paid-in capital	23	7,777	5,485
Revaluation reserve for buildings		2,435	2,479
Revaluation reserve for securities		(59,753)	(2,732)
Retained earnings		206,200	175,019
Total equity attributable to shareholders of the Bank		**630,174**	**653,766**
Total equity		**630,174**	**653,766**
Total equity and liabilities		**5,108,691**	**5,093,054**

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

Vasil S. Matsiusheuski — Chairman of the Management Board

Olga S. Turbina — Chief Accountant, Head of the Accounting and Taxation Department

18 March 2022

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

Consolidated statement of profit or loss

For the year ended 31 December 2021

(Thousands of Belarusian rubles)

	Notes	*2021*	*2020*
Interest revenue calculated using the effective interest rate			
Loans to customers		292,275	287,173
Investment securities		35,130	35,282
Amounts due from credit institutions		2,216	5,679
		329,621	**328,134**
Other interest revenue		**4,393**	**5,788**
Interest expense			
Amounts due to credit institutions		(55,538)	(49,365)
Amounts due to customers		(64,686)	(77,409)
Subordinated debt		(14,705)	(15,772)
Interest expense under leases		(137)	(187)
Debt securities issued		(11,139)	(5,024)
		(146,205)	**(147,757)**
Net interest income		**187,809**	**186,165**
Charge of allowances for credit losses	17	(126,002)	(86,751)
Effect of modification of financial instruments	10	973	17
Net interest income after charge of allowances for credit losses		**62,780**	**99,431**
Net gains/(losses) from initial recognition of interest-bearing financial instruments		3,945	3,760
Net fee and commission income	26	70,045	65,605
Net losses from loans to customers at fair value through profit or loss		(17,590)	(727)
Net gains from investment financial assets at fair value through other comprehensive income		86	826
Net gains/(losses) from foreign currencies:			
- dealing		36,088	28,455
- transactions with currency derivative financial instruments		21,986	(31,289)
- translation differences		(15,817)	(4,553)
Share in profit/(loss) of associates and jointly controlled entities	12	4,663	(2,711)
Reversal/(charge) of allowances for credit losses on other financial assets and credit related contingencies	17	7,361	(10,814)
Other income	27	70,934	42,955
Non-interest income		**181,701**	**91,507**
Personnel expenses	28	(84,567)	(68,522)
Depreciation and amortization	13, 14, 15	(27,470)	(27,739)
Taxes other than income tax		(3,498)	(3,628)
Other operating expenses	28	(89,322)	(76,111)
Non-interest expense		**(204,857)**	**(176,000)**
Profit before income tax expense		**39,624**	**14,938**
Income tax expense	16	(8,903)	(1,714)
Profit for the year		**30,721**	**13,224**
Attributable to:			
- shareholders of the Bank		30,721	13,224
		30,721	**13,224**

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

Consolidated statement of comprehensive income

For the year ended 31 December 2021

(Thousands of Belarusian rubles)

	Notes	*2021*	*2020*
Profit for the year		**30,721**	**13,224**
Other comprehensive (loss)/income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Net change in the fair value of debt instruments at fair value through other comprehensive income		(60,734)	(20,583)
Change in the allowance for expected credit losses on debt instruments at fair value through other comprehensive income		3,799	3,060
Amount of accumulated earnings reclassified to profit or loss upon disposal of debt investments at fair value through other comprehensive income		(86)	(826)
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods			
Revaluation of buildings	24	416	–
Other comprehensive loss for the year		**(56,605)**	**(18,349)**
Total comprehensive loss for the year		**(25,884)**	**(5,125)**
Attributable to:			
- shareholders of the Bank		(25,884)	(5,125)
		(25,884)	**(5,125)**

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

Consolidated statement of changes in equity

For the year ended 31 December 2021

(Thousands of Belarusian rubles)

	Attributable to shareholders of the Bank						
	Share capital	***Share premium***	***Additional paid-in capital***	***Revaluation reserve for buildings***	***Revaluation reserve for securities***	***Retained earnings***	***Total***
31 December 2019	**473,057**	**458**	**5,485**	**2,502**	**15,617**	**161,772**	**658,891**
Profit for the year	–	–	–	–	–	13,224	**13,224**
Other comprehensive loss for the year	–	–	–	–	(18,349)	–	**(18,349)**
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(18,349)**	**13,224**	**(5,125)**
Amortization of revaluation reserve for buildings, net of tax (Note 24)	–	–	–	(23)	–	23	**–**
31 December 2020	**473,057**	**458**	**5,485**	**2,479**	**(2,732)**	**175,019**	**653,766**
Profit for the year	–	–	–	–	–	30,721	**30,721**
Other comprehensive loss for the year	–	–	–	416	(57,021)	–	**(56,605)**
Total comprehensive loss for the year	**–**	**–**	**–**	**416**	**(57,021)**	**30,721**	**(25,884)**
Additional paid-in capital (Note 23)	–	–	2,292	–	–	–	**2,292**
Amortization of revaluation reserve for buildings, net of tax (Note 24)	–	–	–	(24)	–	24	**–**
Disposal of revaluation reserve, net of tax	–	–	–	(436)	–	436	**–**
31 December 2021	**473,057**	**458**	**7,777**	**2,435**	**(59,753)**	**206,200**	**630,174**

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

Consolidated statement of cash flows

For the year ended 31 December 2021

(Thousands of Belarusian rubles)

	Notes	*2021*	*2020*
Profit for the period		**30,721**	**13,224**
Adjustments:			
Depreciation and amortization	13, 14, 15	27,470	27,739
Income tax expense	16	8,903	1,714
Charge/(reversal) of allowances for ECL and other provisions	17	118,641	97,565
Change in the value of loans at fair value through profit or loss		17,590	727
Share in (profit)/loss of associates and jointly controlled entities	12	(4,663)	2,711
Translation differences		15,817	4,553
Effect of initial recognition of interest-bearing financial instruments		(3,945)	(3,760)
Effect of modification of contractual terms of financial instruments		(973)	(17)
Change in the fair value of derivative financial instruments	9	(9,723)	6,643
Loss from disposal of property and equipment, intangible assets and other assets	28	1,203	1,857
Effect of revaluation of property and equipment	13	(1,403)	–
Other changes		(29,690)	(4,211)
Cash flows from operating activities before changes in operating assets and liabilities		**169,948**	**148,745**
Net decrease/(increase) in operating assets			
Precious metals		21	137
Amounts due from credit institutions		9,854	23,618
Financial assets at fair value through profit or loss		(5,612)	–
Loans to customers		310,168	410,223
Other assets		(6,990)	(1,260)
Net increase/(decrease) in operating liabilities:			
Short-term amounts due to credit institutions		285,713	180,245
Amounts due to customers		(64,054)	(384,487)
Other liabilities		17,484	(18,330)
Net cash flows from operating activities before income tax		**716,532**	**358,891**
Income tax paid		(12,630)	(6,370)
Net cash from operating activities		**703,902**	**352,521**
Cash flows from investing activities			
Proceeds from sale and redemption of investment securities		237,387	286,642
Purchase of investment securities		(418,446)	(302,483)
Purchase of property and equipment and intangible assets	13, 15	(39,871)	(28,554)
Proceeds from sale of property and equipment and intangible assets		4,147	3,819
Net cash used in investing activities		**(216,783)**	**(40,576)**
Cash flows from financing activities	33		
Proceeds from long-term interbank borrowings		56,082	259,931
Repayment of long-term interbank borrowings		(116,859)	(599,776)
Proceeds from issue of own debt securities		74,466	209,363
Redemption of own debt securities		(38,489)	(179,791)
Lease payments		(1,633)	(6,550)
Net cash used in financing activities		**(26,433)**	**(316,823)**
Effect of exchange rate changes on cash and cash equivalents		(14,109)	32,192
Net increase in cash and cash equivalents		**446,577**	**27,314**
Cash and cash equivalents, beginning		836,947	809,633
Cash and cash equivalents, ending	6	**1,283,524**	**836,947**

Interest paid and received by the Bank during the year ended 31 December 2021 amounted to BYN 151,577 thousand and BYN 317,252 thousand, respectively.

Interest paid and received by the Bank during the year ended 31 December 2020 amounted to BYN 144,054 thousand and BYN 326,188 thousand, respectively.

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

(Thousands of Belarusian rubles, unless otherwise indicated)

1. Principal activity

Belvnesheconombank Open Joint Stock Company (Bank BelVEB OJSC) was formed on 12 December 1991 as an open joint stock company under the laws of the Republic of Belarus. Bank BelVEB OJSC operates under general banking license No. 6 issued by the National Bank of the Republic of Belarus on 21 December 2018 (before 21 December 2018: under general banking license No. 6 issued by the National Bank of the Republic of Belarus on 21 December 2013), the special license for operations with precious metals and precious stones issued by the Ministry of Finance of the Republic of Belarus on 23 June 2010 and the special permit (license) for operations with securities issued by the Ministry of Finance of the Republic of Belarus on 29 July 2002.

Bank BelVEB OJSC is a universal financial institution and one of the leading commercial banks in the Republic of Belarus. Its activities include international settlements, currency operations and other services relating to foreign trade activities of the state and customers. The Bank has extensive experience and a proven track record in both international and domestic markets. The Bank's main office is in Minsk. As at 31 December 2021, the Bank has an extensive network of sales points, which comprises 31 offices rendering services to individuals and legal entities (including the large business category), of which 5 offices in regional cities, 13 offices in Minsk, 13 offices in other cities and towns throughout the country and one remote workplace in Great Stone Industrial Park (Minsk District).

The legal address of Bank BelVEB OJSC is 29 Pobediteley av., Minsk, Republic of Belarus, 220004.

Bank BelVEB OJSC is a principal member of MasterCard International (since 1994) and VISA International (since 1995). Since 2009, the Bank has been a member of the BELKART payment system.

Bank BelVEB OJSC is a member of the deposit insurance system. The system operates under the Belarusian laws and regulations and is governed by the public institution "Agency of Deposits Compensation." Insurance covers Bank BelVEB OJSC's liabilities to individual depositors for 100% of each individual deposit amount in case of business failure and revocation of the banking license issued by the National Bank of the Republic of Belarus.

These consolidated financial statements comprise the financial statements of Bank BelVEB OJSC and its subsidiaries, associates and jointly controlled entities (together referred to as the "Bank"). A list of consolidated subsidiaries, associates and jointly controlled entities is presented in Note 2.

As at 31 December, the following shareholders owned more than 5% of the outstanding shares:

Shareholder	***2021, %***	***2020, %***
State Development Corporation VEB.RF	97.52	97.52
Other	2.48	2.48
Total	**100.00**	**100.00**

The Bank is ultimately controlled by the Russian Government.

As at 31 December 2021 and 31 December 2020, the Bank's shares were not controlled by members of the Board of Directors and the Management Board.

2. Basis of preparation

General

These consolidated accounting (financial) statements ("the consolidated financial statements") have been prepared in accordance with International Financial Reporting Standards (IFRS) and are presented in thousands of Belarusian rubles ("BYN thousand"), except for earnings per share amounts or unless otherwise indicated.

Bank BelVEB OJSC (and its subsidiaries, associates and jointly controlled entities) are required to maintain their accounting records and prepare their accounting (financial) statements for regulatory purposes in accordance with the Belarusian accounting and banking legislation and related instructions ("BAL"). These consolidated financial statements are based on the Bank's BAL books and records, as adjusted and reclassified in order to comply with IFRS.

(Thousands of Belarusian rubles, unless otherwise indicated)

2. Basis of preparation (continued)

General (continued)

The consolidated financial statements have been prepared on a going concern basis. The Bank will continue to operate in the foreseeable future and has neither the intention nor the need to liquidate or significantly curtail its operations. In assessing the appropriateness of the going concern basis, all relevant information covering a period of at least 12 months from the date of approval of the consolidated financial statements has been taken into account. Bank BelVEB OJSC does not expect any significant impairment of financial assets, does not believe that these circumstances impact the ability of Bank BelVEB OJSC to continue its operations in the foreseeable future, and continuously monitors the situation.

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the *Summary of accounting policies* below. For example, securities, property and equipment (buildings) and derivative financial instruments have been measured at fair value.

Subsidiaries

The consolidated financial statements for 2021 and 2020 include the following subsidiaries:

Subsidiary	*Interest / voting, %*	*Country*	*Date of incorporation*	*Industry*
BelVEB Insurance UIE	100.0	Republic of Belarus	17 October 1994	Insurance
VEB Technologies LLC	100.0	Republic of Belarus	2 March 2018	IT

The Bank's subsidiaries controlled through the above companies are as follows:

As at 31 December 2021:

Subsidiary	*Interest / voting, %*	*Country*	*Date of incorporation*	*Industry*
DFS LLC	100.00	Republic of Belarus	26 March 2019	Finance
BelVEB IT LLC	100.00	Republic of Belarus	29 October 2019	IT

As at 31 December 2020:

Subsidiary	*Interest / voting, %*	*Country*	*Date of incorporation*	*Industry*
DFS LLC	100.00	Republic of Belarus	26 March 2019	Finance
BelVEB IT LLC	100.00	Republic of Belarus	29 October 2019	IT
VedyVenture LLC	100.00	Republic of Belarus	9 June 2020	Business and management consulting

In June 2020, VEB Technologies LLC founded VedyVenture LLC, a subsidiary, in which it holds a 100% stake worth BYN 360 thousand, which was excluded from the State Register of Legal Entities and Individual Entrepreneurs on 28 October 2021.

In March 2019, VEB Technologies LLC founded DFS LLC, a subsidiary, in which it holds a 100% stake worth BYN 2,100 thousand; in October 2019, VEB Technologies LLC founded BelVEB IT LLC, a subsidiary, in which it holds a 100% stake worth BYN 100 thousand.

DFS LLC is a fintech company, an operator of the platform where legal entities can raise borrowings by selling financial instrument tokens to the clients of the platform.

(Thousands of Belarusian rubles, unless otherwise indicated)

2. Basis of preparation (continued)

Associates and jointly controlled entities

Investments in associates and jointly controlled entities below for 2021 and 2020 are accounted for under the equity method (Note 12):

Associate	*Interest / voting, %*	*Country*	*Date of incorporation*	*Industry*	*Date of acquisition*
Sivelga CJSC	25.002	Republic of Belarus	30 April 1996	Manufacturing	3 October 2006

Jointly controlled entities	*Interest / voting, %*	*Country*	*Date of incorporation*	*Industry*	*Date of acquisition*
BelVEB Service LLC	19.00	Republic of Belarus	1 October 2019	Other	1 October 2019
BelVEB Capital LLC	19.00	Republic of Belarus	10 July 2019	Other	10 July 2019
BelVEB Consult LLC	34.39	Republic of Belarus	18 December 2019	Other	18 December 2019

As part of its strategy to transform the local network, Bank BelVEB OJSC transferred the property management function to third parties and performed sale and leaseback transactions with third parties concerning part of the property items. Most property items were sold to BelVEB Capital LLC, co-founded by the Bank in July 2019.

Effect of the COVID-19 pandemic

In 2021, Belarus, like many other countries, continued to by affected by the spread of the COVID-19 pandemic. The pandemic did not affect the manufacturing sector directly, while there still was a downturn in the Belarusian services sector (drop in attendance of shopping centers and restaurants, etc.).

Since the beginning of the pandemic, government agencies of the Republic of Belarus have adopted a number of measures to mitigate the economic impact of the global epidemiological situation. In particular, on 24 April 2020, Ordinance No. 143 of the President of the Republic of Belarus *On Support of the Economy* was enacted, and its effect was extended to 2021. The document provides for support measures for business entities in certain industries most exposed to adverse effects of the pandemic (commerce, transportation, the restaurant and food service industry, real estate transactions, etc.). The edict authorizes local authorities to move payment deadlines for taxes and levies fully payable to local budgets, defer lease payments for state-owned land plots, allow economic entities to pay outstanding lease amounts in installments and offer tax credit to affected businesses.

The Management Board of the National Bank of the Republic of Belarus took a number of countercyclical measures to enhance banks' capacity to provide financial support for the real sector of economy being significantly affected by external negative factors. In particular, it adjusted certain prudential requirements for the period until 31 December 2020 (in September, the regulator extended some measures until 31 December 2021):

- When classifying assets exposed to credit risk and recognizing special provisions reported in prudential and financial statements prepared in accordance with national standards, banks are allowed:
  - To disregard the debtor's foreign currency proceeds sufficiency criterion
  - Not to classify debts as restructured ones regardless of the number of adjustments made to the respective agreements based on the assessment of debtors' cash flows and ability to settle obligations to the bank.
- Banks are eligible to issue loans within the limit on maximum risk exposure per single borrower (a group of related borrowers) equivalent to 35% of the bank's regulatory capital (25% after excluding the countercyclical measures).
- The lower limit on liquidity coverage ratio was set at 90% (100% after excluding the countercyclical measures).
- Banks are allowed not to deduct the value of some intangible assets from Tier 1 capital.
- Other measures.

Moreover, the National Bank sent recommendations to supervisory boards (boards of directors) of banks, advising banks to transfer profits for 2020 and 2021 and retained earnings for prior years to the reserve and statutory fund instead of distributing dividends to shareholders in 2021 and 2020.

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

(Thousands of Belarusian rubles, unless otherwise indicated)

2. Basis of preparation (continued)

Estimation uncertainty

To the extent that information is available as at 31 December 2021, the Bank reflected revised estimates of expected future cash flows in its assessment of expected credit losses ("ECL") (Notes 10 and 25), estimation of fair values of financial instruments (Note 30).

3. Summary of accounting policies

Changes in accounting policies

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

Information on the impact of standards and interpretations effective since 1 January 2022

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform – Phase 2

The amendments to *IFRS 7, IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement* provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments provide for the following:

- A practical expedient is provided, whereby amendments to contracts or changes in cash flows as a result of the reform are required to be treated as changes in a floating interest rate equivalent to a movement in a market rate of interest.
- Changes required by the IBOR reform may be introduced to the definition of hedge relationships and hedging documentation without discontinuing hedge relationships.
- Entities are granted a temporary relief from having to meet the separately identifiable component requirement when an instrument with risk-free rate is designated by an entity as a hedge of a risk component.

Amendments to IFRS 16 Leases

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

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

Basis of consolidation

Subsidiaries, which are entities controlled by the Bank, are consolidated. Control is achieved when the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if, and only if, the Bank has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Bank and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealized gains on such transactions are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Losses of a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

If the Bank loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

Investments in associates and jointly controlled entities

Associates are entities in which the Bank generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

Jointly controlled entities involve joint operation, through which the parties exercise joint control over the entity and have rights to net assets of the entity.

Investments in associates and jointly controlled entities are accounted for under the equity method and are initially recognized at cost, including goodwill. Subsequent changes in the carrying amount reflect the post-acquisition changes in the Bank's share of net assets of the associates and jointly controlled entities. The Bank's share in profits or losses of its associates and jointly controlled entities is recognized in profit or loss, and its share in movements in allowances is recognized in other comprehensive income. However, when the Bank's share in losses of its associates and jointly controlled entities equals or exceeds its interest in the associates or jointly controlled entities, the Bank does not recognize further losses, unless the Bank is obliged to make further payments to, or on behalf of, the associates and jointly controlled entities.

Unrealized gains on transactions between the Bank and its associates and jointly controlled entities are eliminated to the extent of the Bank's interest in the associates and jointly controlled entities; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Fair value measurement

The Bank measures financial instruments at fair value through profit or loss ("FVPL") and at fair value through other comprehensive income ("FVOCI"), as well as non-financial assets such as property and equipment (buildings), at fair value at each reporting date.

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

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

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

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Fair value measurement (continued)

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognized on the trade date i.e. the date that the Bank commits to purchase the asset or the liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities under a contract that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at fair value, including transaction costs, except when financial assets and financial liabilities are measured at FVPL.

Measurement categories of financial assets and liabilities

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

- Amortized cost
- FVOCI
- FVPL.

The Bank classifies and measures its derivative and trading portfolio at FVPL. The Bank may at its discretion designate the financial instruments as measured at FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL, when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers at amortized cost

The Bank only measures amounts due from credit institutions, loans to customers and other financial investments at amortized cost if both of the following conditions are met:

- The financial asset is held under a business model designated to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Business model assessment

The Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Bank's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected)
- The expected frequency, volume and timing of sales are also important aspects of the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

"Solely payments of principal and interest on the principal amount outstanding" test (SPPI test)

As a second step of its classification process, the Bank assesses the contractual terms of the financial asset to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI test, the Bank applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Bank measures debt instruments at FVOCI if the following two conditions are met:

- The instrument is held within a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets.
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in other comprehensive income ("OCI").

The fair value of debt financial instruments (bonds) is the present value of all future (expected) cash flows under this instrument at the date of its origination and/or at the reporting date discounted with the market interest rate for this (comparable/similar) financial instrument. The market interest rate for this financial instrument or other comparable/similar financial instruments is determined on the basis of available internal and external sources of information depending on the type and nature of a financial instrument.

To determine the fair value of available debt financial instruments (Eurobonds), the current estimate of demand, namely, the last quote is used on the basis of information disclosed by exchanges at the close of a current trading day and quotes published by Thomson Reuters, Bloomberg as at the end of the previous business day.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Interest income and foreign exchange gains or losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statement of financial position, which remains at fair value. Instead, an amount equal to the allowance for expected losses that would arise if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the asset.

Equity instruments at FVOCI

Upon initial recognition, the Bank elects to classify irrevocably its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such decision to classify is adopted for each instrument separately.

Gains 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 of the payment has been established, except when the Bank benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

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

Undrawn loan commitments and letters of credits are commitments, where, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similarly to financial guarantees, the ECL measurement requirements are applied to such commitments.

The Bank occasionally issues loan commitments at below market interest rates. Such commitments are initially recognized at fair value and subsequently measured at the higher of the amount of the allowance for ECL and the amount initially recognized less, when appropriate, the cumulative amount of income recognized.

Reclassification of financial assets and liabilities

The Bank does not reclassify its financial assets subsequent to their initial recognition, apart from exceptional cases, when the Bank changes the business model for managing financial assets. Financial liabilities are never reclassified. In 2021, the Bank did not reclassify any of its financial assets and liabilities.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the National Bank of the Republic of Belarus, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Precious metals

Precious metals in the form of ingots and coins are recorded at bid prices, which approximate fair values. The Bank determines value of write-off of precious metals in the form of ingots and coins at self-cost of each unit. Changes in the NBRB's bid prices are recorded as translation differences from precious metals in other income.

3. Summary of accounting policies (continued)

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including forwards and swaps in the foreign exchange market. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss as net gains/(losses) from foreign currencies.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or other financial assets to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or other financial assets for a fixed number of its own equity instruments. Such instruments include amounts due to the National Bank of the Republic of Belarus, amounts due to credit institutions, amounts due to customers, debt securities issued, other borrowings and subordinated debts. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of profit or loss when the borrowings are derecognized as well as through the amortization process.

Borrowings from parent originated at interest rates different from market rates are measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar borrowings. The difference between the fair value and the nominal value at origination is charged to equity as additional paid in capital. Subsequently, the carrying amount of such borrowings is adjusted for amortization of the gains/losses on origination and the related expense is recorded as interest expense within the consolidated statement of profit or loss using the effective interest method.

Leases

i. Bank as lessee

The Bank applies a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The Bank recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Bank recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Bank recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers payment occurs.

In calculating the present value of lease payments, the Bank uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Leases (continued)

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value (i.e., less than BYN 12 thousand). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Significant judgment in determining the lease term of contracts with renewal options

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

ii. Operating – Bank as lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

iii. Finance − 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.

Write-off of loans issued

Loans are written off against the created allowance for expected credit losses when deemed uncollectible, including through repossession of collateral. Loans are written off after the Bank's authorized bodies have exercised all possibilities available to collect amounts due to the Bank including sale of all available collateral. The decision to write off bad debt against the allowance for impairment is approved by the Distressed Assets Committee.

Restructured loans

Where possible, the Bank seeks to restructure loans, as agreed upon between the parties, rather than to take possession of collateral, for example, to extend payment arrangements, agree upon new loan conditions or otherwise modify contractual cash flows.

The Bank derecognizes a financial asset, such as a loan to a customer, when the renegotiation of terms and conditions result in a significant change in cash flows, which is a significant modification of a financial asset to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss before an impairment loss has been recorded. At initial recognition, loans are classified to Stage 1 for ECL assessment purposes, unless the newly originated loan is considered a POCI asset (purchased or originated credit-impaired asset). When assessing whether a loan to a customer should be derecognized, the Bank considers the following:

- The currency of a financial asset has changed.
- The interest rate has changed (from fixed to floating and vice versa).
- The debtor (counterparty) under the contract has changed.

Where the modification does not result in a significant change in cash flows, it also does not result in derecognition of a financial asset, this modification is insignificant. An insignificant modification includes a change in a contract validity period, a change in the frequency of principal and interest payments, as well as other changes in contract terms that are not a significant modification. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within interest revenue calculated using EIR in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Restructured loans (continued)

Where a modification does not result in derecognition, the Bank reassesses whether the credit risk related to a financial asset has increased significantly since its initial recognition, taking into account all reasonable and supportable information, including forecast data, and classifies financial instruments to one of the following stages of accrual of the allowance based on the degree of deterioration in the credit quality of the asset after its initial recognition.

- Stage 1 – financial assets, for which there are no factors indicating a significant increase in credit risk and no impairment indicators; for these assets, 12-month ECL are recognized.
- Stage 2 – financial assets, for which there are factors indicating a significant increase in credit risk, but there are no impairment indicators; for these assets, lifetime ECL are recognized.
- Stage 3 – financial assets with impairment indicators; for these assets, lifetime ECL are recognized.

The Bank recognizes restructuring of a loan in case of the following: any changes in contractual terms related to the maturity (repayment) of the principal amount and/or the interest payment date, and/or principal repayment schedule (terms and amounts), and/or interest repayment schedule (terms), and/or interest rate, as well as entering into a new contract, under which a Bank may have an asset exposed to credit risk and obligations of the Bank and the debtor under the previous contract are discharged (the debtor under the new contract and the previous contract is one and the same entity). These changes, which result from debtor's inability to meet its obligations, are introduced to encourage the debtor to meet its obligations in full and in a timely manner.

Problematic restructuring indicating a significant increase in credit risk is a repeated and subsequent restructuring, when there are no factors that indicate a significant increase in credit risk and/or impairment indicators; or restructuring when there are factors indicating a significant increase in credit risk at the time of restructuring; or restructuring when overdue liabilities on principal amount and/or interest become term liabilities; or restructuring that involves rescheduling of the previously stipulated payment of the principal amount and/or interest for more than one year.

Default restructuring is a restructuring associated with the inability of the borrower (counterparty) to fulfill its obligations under the initial contractual terms

Restructuring is recognized as default if at least one of the following criteria is met:

- Restructuring when there are indicators that a financial asset is impaired at the time of restructuring and the recovery condition is not yet met or not met
- Or repeated and subsequent restructuring when there are factors indicating a significant increase in credit risk and the recovery condition is not yet met or not met
- Restructuring with a partial write-off of the debt (principal amount and/or interest) to the off-balance sheet (forgiveness of debt)
- Restructuring resulting in a decrease in the contractual interest rate to 2/3 or less of the rate set by the Financial Committee of the Bank for the relevant currency for a comparable period.

If the financial asset of a borrower is classified to Stage 3, other available financial instruments of this borrower are also classified to Stage 3. In case of a new loan issued to this borrower, this loan is classified as a credit-impaired financial asset.

The credit quality of a financial asset can be recovered in case of at least three consecutive payments made to the Bank to repay the debt in full and in a timely manner continuously in accordance with the contractual terms during at least 12 months when there were no factors indicating a significant increase in credit risk (for the recovery from Stage 2 to Stage 1) or no impairment indicators (for the recovery from Stage 3 to Stage 2, or, if all of the above recovery conditions are met, to Stage 1).

Derecognition of financial assets and liabilities

Financial assets

A financial asset is derecognized in the consolidated 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 has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; and
- The Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Write-off

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated allowance for ECL, the difference is at first recorded as an increase in the allowance that is subsequently applied to the gross carrying amount. Any subsequent recoveries are credited to other income. The write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

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 carrying amounts is recognized in profit or loss.

Taxation

The income tax expense is the sum of current and deferred income taxes.

The Bank and each of its subsidiaries estimate the current income tax expense separately based on the results recorded in their statements of profit or loss prepared under the requirements of Belarusian legislation and after any adjustments for taxation purposes.

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

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax regulations that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Belarus also has various operating taxes, which are assessed on the Bank's activities. These taxes are recorded separately in the consolidated statement of profit or loss within other operating expenses.

Property and equipment

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

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

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Property and equipment (continued)

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of profit or loss, in which case the increase is taken to the financial result. A revaluation deficit is recognized in the consolidated statement of profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets' original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	27-100
Furniture and office supplies	2-10
Computers and equipment	2-8
Motor vehicles	2-10

The asset's residual values, useful lives and depreciation methods are reviewed and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses unless they qualify for capitalization.

Intangible assets

Intangible assets include computer software and licenses.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, as adjusted for hyperinflation.

The useful lives of intangible assets are finite. Intangible assets with finite lives are amortized over the useful economic lives of 3 to 5 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

In the reporting period, the Bank participated in the State pension system of the Republic of Belarus, which requires current contributions by the employer calculated as a percentage of current gross salary payments. In addition, the Bank undertook additional pension obligations in the form of payments to former employees who have retired and are unemployed. These expenses are charged in the period the related salaries are earned.

Since 1 January 2013, the Bank has participated in the system of voluntary supplementary pension insurance of employees – the pension plan with defined contribution. Pension insurance expenses are reflected in other operating expenses.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the nominal value of shares issued is recorded as share premium.

Dividends

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

Segment reporting

An operating segment is a component of the Bank that engages in business activities from which it may earn revenues and incur expenses; and for which financial information is available and is regularly reviewed by the entity's chief operating decision maker (a person or a group of persons) responsible for making decisions on allocation of resources and assessing financial performance.

Financial information is to be reported on the same basis as is used internally for assessing the performance of operating segments while making decision on resource allocation between operating segments. The Bank's segment reporting is based on the following operating segments: corporate banking, retail banking and inter-bank operations. Note 5 "Segment information" of these consolidated financial statements contains information relating to profit and loss, assets and liabilities of the Bank's operating segments. This information is provided to persons responsible for making decisions in the Bank.

In addition, the Bank has presented a reconciliation of profit and loss before taxation of the reporting segments, as well as a reconciliation of the gross amount of segment assets to the total amount of the Bank's assets presented in these consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed in the consolidated financial statements when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized in the consolidated financial statements:

Interest and similar income and expense

The Bank calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest revenue or expense.

In case of a credit-impaired financial asset, the Bank calculates the interest revenue, applying the effective interest rate to the net amortized cost of this asset. If the default on the financial asset is liquidated, and it is no longer a credit-impaired asset, the Bank proceeds to calculate the income revenue on the basis of the gross carrying amount.

In case of purchased or originated credit-impaired (POCI) financial assets, the Bank calculates the interest revenue applying the effective interest rate adjusted for the credit risk to the amortized cost of the financial asset. An effective interest rate adjusted for the credit risk is an interest rate that at initial recognition discounts estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income can be divided into the following two categories:

Fee and commission income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee and commission income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance indicator are recognized after fulfilling the corresponding criteria.

Dividend income

Revenue is recognized when the Bank’s right to receive the payment is established.

Insurance transactions

Insurance premiums

The premiums on insurance contracts of BelVEB Insurance Unitary Insurance Enterprise, the Bank’s subsidiary, are recorded from the date of commencement of the insurance contracts and are recognized within income on a pro rata basis over the term of insurance contracts by changing the amount of provision for unearned premiums.

Provision for unearned premiums

Unearned premium provision is formed as a part of insurance premium accrued under the insurance contract that relates to the contract term on the reporting date and is calculated in proportion to the remaining contractual period.

Insurance claims paid

Claims paid including claims settlement expenses are expensed in the consolidated statement of profit or loss as incurred.

Insurance loss provision

Insurance loss provision is the estimate of liabilities relating to future insurance payments and includes outstanding claims provision and provision for claims incurred but not yet reported. The estimates are based on the information obtained by the Bank in the course of investigation of insurance claims on a claim-by-claim basis. The provision created is recognized by the Bank within liabilities until such liabilities are discharged, cancelled, or expired. Methods to assess and calculate provisions are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss as they arise. The insurance loss provisions are estimated on an undiscounted basis, as the claim settlement process is relatively quick.

Foreign currency translation

The consolidated financial statements are presented in Belarusian rubles, which is the Bank’s functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency converted at the rate of exchange effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated statement of profit or loss as “Net gains/(losses) from foreign currencies - translation differences.” Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Foreign currency translation (continued)

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate of the National Bank of the Republic of Belarus on the date of the transaction are included in gains less losses from foreign currencies.

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

	31 December 2021	*31 December 2020*
BYN/USD	2.548100	2.578900
BYN/EUR	2.882600	3.168000
BYN/RUB	0.034322	0.034871

Standards issued but not yet effective

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

IFRS 17 Insurance Contracts

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

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

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

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

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

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

The Bank is currently estimating the potential effect of IFRS 17 adoption on its consolidated financial statements.

IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

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

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted. The Bank will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first adopt the amendment. It is not expected that this amendment will have a material impact on the consolidated financial statements of the Bank.

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

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

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

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

Amendments to IFRS 3 – Reference to the Conceptual Framework

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

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

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

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

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

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

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

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

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

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

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

(Thousands of Belarusian rubles, unless otherwise indicated)

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

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

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a First-time Adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 8 Definition of Accounting Estimates

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

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

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

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

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

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

The Bank is currently assessing the impact the amendments may have on the Bank's accounting policy disclosures.

4. Significant accounting judgments and estimates

In the process of applying the Bank's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The carrying amounts of financial instruments measured at fair value as at 31 December 2021 are as follows: securities – BYN 631,444 thousand (2020: BYN 518,687 thousand); funds in precious metals on correspondent accounts – BYN 3,168 thousand (2020: BYN 3,297 thousand); loans at FVPL – BYN 20,794 thousand (2020: BYN 35,999 thousand); derivative financial assets – BYN 2,180 thousand (2020: BYN 32 thousand); derivative financial liabilities – BYN 285 thousand (2020: BYN 7,860 thousand); funds in precious metals on customers' current accounts – BYN 543 thousand (2020: BYN 672 thousand). Additional information is presented in Note 30.

4. Significant accounting judgments and estimates (continued)

Revaluation of buildings

As at 31 December 2021, buildings were revalued at their fair value using the market approach. This means that valuations performed by the appraiser are based on market transaction prices significantly adjusted for differences in the nature, location or condition of the specific property. The results obtained from the application of the above valuation method, however, may not always correspond to the prices of current transactions in the real estate market. The results of the revaluation are presented in Note 13.

As at 31 December 2020, the Bank's property was not revalued. According to the information from open sources and analysis of the real estate market, the average sale price of office premises has changed insignificantly (by no more than 2%) since the end of 2018.

The net book value of the property and equipment revalued at the end of 2021 amounted to BYN 27,140 thousand; at the end of 2020: BYN 26,924 thousand (Note 13). The accumulated revaluation reserve for buildings as at 31 December 2021 and 2020 amounted to BYN 2,435 thousand and BYN 2,479 thousand, respectively. Additional information is presented in Note 24.

Insurance loss provision

Insurance loss provision of BelVEB Insurance UIE, the Bank's subsidiary, is the estimate of liabilities relating to future insurance payments and includes outstanding claims provision and provision for claims incurred but not yet reported. The estimates are based on the information obtained by the Bank in the course of investigation of insurance claims on a claim-by-claim basis. The provision created is recognized by the Bank within liabilities until such liabilities are discharged, cancelled, or expired. Methods to assess and calculate provisions are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss as they arise. The insurance loss provisions are estimated on an undiscounted basis, as the claim settlement process is relatively quick. As at 31 December 2021, the amount of insurance provisions totaled BYN 18,398 thousand (2020: BYN 12,362 thousand).

Expected credit losses/ impairment losses on financial assets and contingent liabilities

The measurement of losses under IFRS 9 across all categories of financial assets and contingent liabilities requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL/impairment losses and assessing a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for ECL. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades
- The Bank's criteria for assessing if there has been a significant increase in credit risk; so, ECL allowances for financial assets should be measured on a lifetime ECL basis, and the qualitative assessment; grouping of financial assets when their ECL are assessed on a collective basis; development of ECL calculation models, including various formulae and the selection of inputs
- Selection of scenarios and weights of credit strategies used to estimate future cash flows for impaired loans (Stage 3)
- Determination of interrelations between macroeconomic scenarios and economic inputs, such as real GDP growth rate and the BYN/USD exchange rate, as well as the impact on the probability of default (PD), exposure at default (EAD), and loss given default (LGD)
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The amount of allowance for financial instruments recognized in the consolidated statement of financial position as at 31 December 2021 was BYN 269,728 thousand (2020: BYN 238,058 thousand). More details are provided in Notes 8, 10, 18 and 25.

Deferred tax assets

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

(Thousands of Belarusian rubles, unless otherwise indicated)

4. Significant accounting judgments and estimates (continued)

Leases – estimating the incremental borrowing rate

The Bank cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure lease liabilities. The incremental borrowing rate is the rate of interest that the Bank would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate reflects what the Bank "would have to pay," which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Bank determines the incremental borrowing rate with the use of unobservable inputs. As at 31 December 2021, the Bank recognized right-of-use assets in the amount of BYN 14,437 thousand (2020: BYN 10,405 thousand) and lease liabilities in the amount of BYN 13,337 thousand (2020: BYN 11,853 thousand).

Significant control

In 2019, the Bank co-founded BelVEB Capital LLC and BelVEB Service LLC, in which it holds a 19% interest in the share capital, and BelVEB Consult LLC (hereinafter, the "Companies"), in which it holds a 34.39% interest in the share capital. Although its stakes are less than 50%, the Bank believes that the Companies are managed through joint control due to the following factors:

- The Bank and other investors have significant rights (unanimous vote on significant matters), which give powers to investors, i.e. to influence significant operations of the Companies.
- The Bank and other investors are exposed to variable returns.
- The Bank and investors can exercise powers through a unanimous vote with no barriers and can block significant decisions requiring unanimous vote.
- There is no agreement on the settlement of disputes (arbitrage). This can give additional influence to any participant in the Companies should they disagree on significant matters requiring unanimous vote.

Additional information on investments in joint operations is disclosed in Note 12.

5. Segment information

For management purposes, the Bank is organized into three operating segments:

Retail banking	Issuing and servicing retail loans for various purposes, handling individual customers' deposits, cash and settlements operations, currency transactions, the issue and maintenance of payment cards, transactions with precious metals.
Corporate banking	Sales of banking products and providing services (issuing loans and financing) to corporate and private entrepreneurial customers, attracting deposits from corporate customers, cash and settlements operations, currency and documentary transactions.
Interbank operations	Handling accounts of other banks, transactions of allocation/raising funds in the interbank market, including transactions with the National Bank of the Republic of Belarus, currency conversion operations with other banks, transactions with derivatives, bank securities transactions.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance, as explained in the table below, is measured differently from profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

In 2021 and 2020, no revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue. Non-current non-financial assets and deferred tax assets are related to the Republic of Belarus. Generally, revenue is earned from sources in the Republic of Belarus.

(Thousands of Belarusian rubles, unless otherwise indicated)

5. Segment information (continued)

The table below provides information on assets and liabilities of the Bank's operating segments as at 31 December 2021.

	Corporate banking	*Retail banking*	*Interbank operations*	*Other*	*Total*
Segment assets	3,171,983	369,396	1,201,274	259,751	**5,002,404**
Segment liabilities	1,810,019	810,794	1,714,762	36,004	**4,371,579**

The table below provides information on assets and liabilities of the Bank's operating segments as at 31 December 2020.

	Corporate banking	*Retail banking*	*Interbank operations*	*Other*	*Total*
Segment assets	3,471,684	395,970	801,883	265,788	**4,935,325**
Segment liabilities	1,692,347	1,029,352	1,565,074	42,562	**4,329,335**

A reconciliation of assets and liabilities as per the reportable segments with the Bank's assets and liabilities under IFRS as at 31 December 2021 and 2020 is as follows:

	Total assets		*Total liabilities*	
	2021	*2020*	*2021*	*2020*
Reported segments, total	**5,002,404**	**4,935,325**	**4,371,579**	**4,329,335**
Adjustment to allowances for expected credit losses	18,808	70,783	(5,428)	276
Recognition of loans previously written off and income on debt previously written off	50,041	41,650	–	–
Recognition of installment agreements in loans	(17,987)	(4,867)	–	–
Accrued personnel expenses	–	–	3,748	2,188
Adjustment to amortized cost of borrowings and subordinated debt, effect of initial recognition of modification	–	–	(3,573)	(5,208)
Adjustment to depreciation and historical cost of property and equipment	(13,597)	(15,491)	–	–
Adjustment to transit accounts and other adjustments to recognize transactions in the appropriate period	42,775	(1,006)	42,928	(750)
Adjustment to amortized cost of securities issued	–	–	78	(352)
Recognition of derivative financial instruments at fair value	(559)	25	30	842
Securities revaluation	(48,144)	(7,089)		
Adjustment to loans to employees	(6,330)	(1,474)	–	–
Adjustment to recognition of letters of credit as loans to customers	32,747	94,128	33,579	94,103
Share of loss of an associate	–	(40)	–	–
Adjustment to current and deferred income tax	(8)	(10)	11,897	16,191
Recognition of fees and commissions received under partner programs	3,155	(4,300)	–	–
Recognition of income on loans on an accrual basis	25,483	23,656	–	–
Recognition of POCI	(25)	(18,622)	–	–
Effect from initial recognition	(7,774)	(11,619)	4,600	567
Effect from amortization of previously modified loans	(3,062)	(14,526)	–	–
Adjustments to lease and leaseback transactions	10,596	9,474	10,396	11,086
Consolidation effect	20,941	(2,190)	8,683	(8,990)
Other adjustments	(773)	(753)	–	–
Total IFRS	**5,108,691**	**5,093,054**	**4,478,517**	**4,439,288**

(Thousands of Belarusian rubles, unless otherwise indicated)

5. Segment information (continued)

Revenue and profit information of the Bank's operating segments for the years ended 31 December 2021 and 2020, respectively, is presented below:

2021	*Corporate banking*	*Retail banking*	*Interbank operations*	*Other*	*Total*
Revenue from operations with external customers					
Interest income	226,443	49,740	40,358	–	**316,541**
Net fee and commission income/(expense)	47,790	22,196	(1,862)	(1,873)	**66,251**
Net gains/(losses) from foreign currencies	25,472	7,314	(23,852)	(2)	**8,932**
Other income	25,196	3,546	43,522	881	**73,145**
Total revenue	**324,901**	**82,796**	**58,166**	**(994)**	**464,869**
Interest expense	(62,824)	(23,404)	(49,002)	–	**(135,230)**
Allowance for loan impairment	(22,115)	(21,290)	(322)	(11,113)	**(54,840)**
Segment profit/(loss) before non-interest expense	**239,962**	**38,102**	**8,842**	**(12,107)**	**274,799**
Non-interest expense	(41,092)	(22,964)	(22,187)	(131,888)	**(218,131)**
Income tax (expense)/benefit	(23,216)	2,218	(2,032)	10,687	**(12,343)**
Profit/(loss) for the year	**175,654**	**17,356**	**(15,377)**	**(133,308)**	**44,325**

2020	*Corporate banking*	*Retail banking*	*Interbank operations*	*Other*	*Total*
Revenue from operations with external customers					
Interest income	217,813	46,928	36,740	–	**301,481**
Net fee and commission income/(expense)	39,358	36,118	(2,018)	806	**74,264**
Net gains/(losses) from foreign currencies	21,568	8,410	33,547	4	**63,529**
Other income	4,092	1,761	48,624	15,547	**70,024**
Total revenue	**282,831**	**93,217**	**116,893**	**16,357**	**509,298**
Interest expense	(45,803)	(33,448)	(64,116)	–	**(143,367)**
Allowance for loan impairment	(86,076)	(13,902)	3,089	(707)	**(97,596)**
Segment profit before non-interest expense	**150,952**	**45,867**	**55,866**	**15,650**	**268,335**
Non-interest expense	(14,725)	(23,916)	(79,280)	(116,418)	**(234,339)**
Income tax (expense)/benefit	(5,444)	(1,499)	(2,709)	6,469	**(3,183)**
Profit/(loss) for the year	**130,783**	**20,452**	**(26,123)**	**(94,299)**	**30,813**

(Thousands of Belarusian rubles, unless otherwise indicated)

5. Segment information (continued)

A reconciliation of profit before tax, interest income and expense, net fee and commission income, net gains from foreign currencies as per the reportable segments with the IFRS consolidated statement of profit or loss for the year ended 31 December 2021 is as follows:

	Profit before tax	***Interest income***	***Interest expense***	***Net fee and commission income***	***Other income***	***Non-interest expense***	***Net gains from foreign currencies***
Reported segments, total	**56,668**	**316,541**	**(135,230)**	**66,251**	**73,145**	**(218,131)**	**8,932**
Adjustment to amortized cost of borrowings and subordinated debt, effect of initial recognition of modification	(1,797)	–	(1,808)	–	–	–	11
Recognition of loans previously written off and income on debt previously written off	26,656	53	–	(135)	30,311	18,096	(10)
Recognition of installment agreements in loans	(13,121)	(13,121)	–	–	–	–	–
(Charge)/reversal of allowance for ECL	(76,953)	–	(221)	–	–	(14,288)	1,344
Recognition of derivative financial instruments at fair value	7,220	–	–	–	–	–	7,220
Accrued personnel expenses	(3,748)	–	–	–	–	(3,748)	–
Adjustment to historical cost and depreciation of property and equipment	1,521	–	–	–	(876)	2,398	–
Adjustment to loans to employees	(4,856)	(4,535)	–	–	–	(321)	–
Adjustment to transit accounts and other adjustments to recognize transactions in the appropriate period	(21,068)	(23,656)	(1)	135	–	2,454	–
Securities revaluation	–	(3,441)		–	(2,562)	6,004	–
Adjustment to amortized cost of securities issued	(430)	7,947	(8,377)	–	–	–	–
Recognition of fees and commissions received under partner programs	3,155	7,834	–	(4,678)	–	–	–
Recognition of income on loans on an accrual basis	25,483	21,494	–	–	–	–	–
Recognition of POCI	18,597	4,732	(48)	–	–	–	–
Effect from initial recognition	(755)	4,126	(2,581)	–	–	(2,411)	111
Effect from modification	11,464	10,491	973	–	–	–	–
Recognition of loans to customers issued on non-market terms from interbank lending funds	4,300	(4,639)	–	8,939	–	–	–
Adjustments to lease and leaseback transactions	1,812	–	(122)	–	2,714	(3,955)	3,175
Adjustment to recognition of letters of credit as loans to customers	(858)	144	(1,002)	–	–	–	–
Consolidation effect and other adjustments	6,334	10,044	2,212	(467)	(31,798)	16,406	21,474
Total IFRS	**39,624**	**334,014**	**(146,205)**	**70,045**	**70,934**	**(197,496)**	**42,257**

(Thousands of Belarusian rubles, unless otherwise indicated)

5. Segment information (continued)

A reconciliation of profit before tax, interest income and expense, net fee and commission income, net gains from foreign currencies as per the reportable segments with the IFRS consolidated statement of profit or loss for the year ended 31 December 2020 is as follows:

	Profit before tax	*Interest income*	*Interest expense*	*Net fee and commission income*	*Other income*	*Non-interest expense*	*Net gains from foreign currencies*
Reported segments, total	**33,996**	**301,481**	**(143,367)**	**74,264**	**70,024**	**(234,339)**	**63,529**
Adjustment to amortized cost of borrowings and subordinated debt	1,947	–	1,229	–	–	–	717
Recognition of loans previously written off and income on debt previously written off	15,633	5,757	20	(174)	23,470	3,415	167
Share of loss of an associate	(265)	–	–	–	(265)	–	–
(Charge)/reversal of allowance for ECL on interest-bearing assets	(19,021)	–	–	–	–	(10,463)	(36,027)
Recognition of derivative financial instruments at fair value	369	–	–	–	–	–	369
Accrued personnel expenses	(2,284)	–	–	–	–	(2,284)	–
Adjustment to historical cost and depreciation of property and equipment	(15,692)	–	–	–	(4,142)	(11,551)	–
Adjustment to loans to employees	1,032	1,330	–	–	–	(298)	–
Adjustment to transit accounts and other adjustments to recognize transactions in the appropriate period	7,088	1,797	–	42	–	1,203	–
Securities revaluation	201	2,241	248	–	(2,348)	60	–
Recognition of fees and commissions received under partner programs	2,736	11,675	–	(8,939)	–	–	–
Recognition of POCI	(4,319)	3,010	–	–	–	–	–
Effect from initial recognition	(112)	(7,046)	3,812	–	–	3,123	–
Effect from modification	361	343	–	–	–	17	–
Adjustments to lease and leaseback transactions	(1,958)	–	(187)	–	824	1,190	(3,785)
Consolidation effect and other adjustments	(4,774)	13,334	(9,512)	412	(44,608)	63,113	(32,357)
Total IFRS	**14,938**	**333,922**	**(147,757)**	**65,605**	**42,955**	**(186,814)**	**(7,387)**

"Non-interest expense" includes reversal/(charge) of allowances for credit losses on other financial assets and credit related contingencies.

Segment revenue from contracts with customers within the scope of IFRS 15 *Revenue* for the years ended 31 December 2021 and 2020 is as follows:

2021	***Services to individuals***	***Services to legal entities***	***Total***
Fee and commission income			
Settlement transactions	41,356	58,350	**99,706**
Guarantees and letters of credit	21	12,149	**12,170**
Operations with securities	109	243	**352**
Other fee and commission income	2,892	1,027	**3,919**
Total revenues from contracts with customers	**44,378**	**71,769**	**116,147**

2020	***Services to individuals***	***Services to legal entities***	***Total***
Fee and commission income			
Settlement transactions	45,838	44,072	**89,910**
Guarantees and letters of credit	28	19,221	**19,249**
Operations with securities	100	130	**230**
Other fee and commission income	2,685	5,560	**8,245**
Total revenues from contracts with customers	**48,651**	**68,983**	**117,634**

(Thousands of Belarusian rubles, unless otherwise indicated)

6. Cash and cash equivalents

Cash comprises:

	2021	*2020*
Current accounts with credit institutions	687,600	194,091
Current accounts with the National Bank of the Republic of Belarus	492,075	561,372
Cash on hand	61,968	65,418
Cash in transit	5,493	16,066
Time deposits for up to 90 days	36,388	–
Cash and cash equivalents	**1,283,524**	**836,947**

"Cash in transit" includes amounts under cash support transactions with service offices of Bank BelVEB OJSC.

7. Trading securities

Trading securities held by the Bank comprise:

	2021	*2020*
Bonds of the Ministry of Finance of the Republic of Belarus	3,839	–
Corporate shares	1,801	–
Trading securities	**5,640**	**–**

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2021	*2020*
Obligatory reserve with the National Bank of the Republic of Belarus	29,367	40,760
Time deposits for more than 90 days	3,766	4,094
Funds in precious metals on accounts	3,168	3,297
Other amounts	5,852	6,241
	42,153	**54,392**
Less allowance for ECL	(275)	(435)
Amounts due from credit institutions	**41,878**	**53,957**

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

As at 31 December 2021 and 2020, "Funds in precious metals on accounts" included funds in precious metals on current accounts designated as at fair value through profit or loss. Amounts due from credit institutions that are included in "Other amounts" are funds transferred to banks as guarantee deposits for transactions involving payment cards.

Allowance for ECL on amounts due from credit institutions at amortized cost

Movements in the gross carrying amount and relevant allowances for ECL for the year ended 31 December 2021 are as follows:

	Stage 1	*Stage 2*	*Total*
Gross carrying amount at 1 January 2021	**54,392**	**–**	**54,392**
New purchased or originated assets	1,002	2,766	**3,768**
Assets redeemed	(15,935)	–	**(15,935)**
Transfers to Stage 2	(3,169)	3,169	**–**
Exchange differences	(72)	–	**(72)**
31 December 2021	**36,218**	**5,935**	**42,153**

(Thousands of Belarusian rubles, unless otherwise indicated)

8. Amounts due from credit institutions (continued)

Allowance for ECL on amounts due from credit institutions at amortized cost (continued)

	Stage 1	*Stage 2*	*Total*
Allowance for ECL at 1 January 2021	**435**	**–**	**435**
New purchased or originated assets	18	20	**38**
Assets redeemed	(221)	–	**(221)**
Charge of allowance	23	–	**23**
31 December 2021	**255**	**20**	**275**

Movements in the gross carrying amount and relevant allowances for ECL for the year ended 31 December 2020 are as follows:

	Stage 1	*Stage 2*	*Total*
Gross carrying amount at 1 January 2020	**65,707**	**–**	**65,707**
New purchased or originated assets	14,392	–	**14,392**
Assets redeemed	(26,648)	–	**(26,648)**
Other changes	(6)	–	**(6)**
Exchange differences	947	–	**947**
31 December 2020	**54,392**	**–**	**54,392**

	Stage 1	*Stage 2*	*Total*
Allowance for ECL at 1 January 2020	**284**	**–**	**284**
New purchased or originated assets	35	–	**35**
Assets redeemed	(15)	–	**(15)**
Charge of allowance	131	–	**131**
Exchange differences	–	–	**–**
31 December 2020	**435**	**–**	**435**

9. Derivative financial instruments

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

	2021			*2020*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Foreign exchange contracts						
Forwards and swaps – foreign	336,843	2,180	265	325,133	–	7,835
Forwards and swaps– domestic	892	–	20	5,449	32	25
Total derivative assets/liabilities	**337,735**	**2,180**	**285**	**330,582**	**32**	**7,860**

Foreign contracts in the table above are contracts with non-residents of the Republic of Belarus.

As at 31 December 2021, the Bank has positions in the following types of derivatives:

(Thousands of Belarusian rubles, unless otherwise indicated)

9. Derivative financial instruments (continued)

Forwards

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

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign exchange rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

10. Loans to customers

Loans to customers comprise:

	2021	*2020*
Corporate lending	1,945,617	2,532,964
Small and medium business lending	877,606	790,312
Consumer lending	255,717	287,797
Residential mortgages	126,790	115,910
Total loans to customers at amortized cost	**3,205,730**	**3,726,983**
Less allowance for ECL	(258,997)	(219,310)
Loans to customers at amortized cost	**2,946,733**	**3,507,673**
Corporate lending	20,794	35,999
Loans to customers at fair value through profit or loss	**20,794**	**35,999**
Total loans to customers	**2,967,527**	**3,543,672**

Loans to customers at FVPL

Loans to customers at FVPL are installments for items of property and equipment sold. Information about the fair value measurement of loans to customers at FVPL is presented in Note 30.

Allowance for ECL on loans to customers measured at amortized cost

Movements in the gross carrying amount and relevant ECL related to corporate lending for the year ended 31 December 2021 are as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**1,584,159**	**732,495**	**187,335**	**28,975**	**2,532,964**
New purchased or originated assets	774,542	–	–	–	**774,542**
Assets fully redeemed	(560,648)	(223,212)	(71,729)	–	**(855,589)**
Changes resulting from issue/redemption	(224,313)	(174,244)	19,177	(1,318)	**(380,698)**
Transfers to Stage 1	51,953	(51,953)	–	–	**–**
Transfers to Stage 2	(872,979)	872,979	–	–	**–**
Transfers to Stage 3	(1,106)	(153,762)	154,868	–	**–**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	29	–	**29**
Unwinding of discount	–	–	3,721	–	**3,721**
Amounts written off	–	–	(8,331)	(27,657)	**(35,988)**
Exchange differences	(34,416)	(45,895)	(13,053)	–	**(93,364)**
31 December 2021	**717,192**	**956,408**	**272,017**	**–**	**1,945,617**

(Thousands of Belarusian rubles, unless otherwise indicated)

10. Loans to customers (continued)

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2021	**18,161**	**41,258**	**85,558**	**14,798**	**159,775**
New purchased or originated assets	18,647	–	–	–	**18,647**
Assets fully redeemed	(3,450)	(11,512)	(22,223)	–	**(37,185)**
Transfers to Stage 1	6,127	(6,127)	–	–	**–**
Transfers to Stage 2	(26,596)	26,596	–	–	**–**
Transfers to Stage 3	(17)	(9,855)	9,872	–	**–**
Effect on ECL at the period-end due to transfers between stages during the period	(6,401)	7,825	19,375	–	**20,799**
Changes in models and inputs used for ECL calculations	(1,801)	(13,334)	–	–	**(15,135)**
Charge of allowance	938	7,022	39,236	12,859	**60,055**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	316	–	**316**
Unwinding of discount	–	–	3,989	–	**3,989**
Amounts written off	–	–	(8,331)	(27,657)	**(35,988)**
Exchange differences	(287)	(2,140)	(6,531)	–	**(8,958)**
31 December 2021	**5,321**	**39,733**	**121,261**	**–**	**166,315**

Movements in the gross carrying amount and relevant ECL related to small and medium business lending for the year ended 31 December 2021 are as follows:

Small and medium business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**682,082**	**15,680**	**90,045**	**2,505**	**790,312**
New purchased or originated assets	426,834	–	–	2,472	**429,306**
Assets fully redeemed	(180,092)	(2,499)	(18,749)	–	**(201,340)**
Changes resulting from issue/redemption	(45,742)	(40,314)	10,534	454	**(75,068)**
Transfers to Stage 1	5,533	(5,533)	–	–	**–**
Transfers to Stage 2	(192,690)	192,690	–	–	**–**
Transfers to Stage 3	(9,467)	(28,616)	38,083	–	**–**
Changes in contractual cash flows due to modification not resulting in derecognition	254	198	379	–	**831**
Amounts written off	–	–	(24,322)	–	**(24,322)**
Exchange differences	(31,444)	(6,026)	(4,394)	(249)	**(42,113)**
31 December 2021	**655,268**	**125,580**	**91,576**	**5,182**	**877,606**

(Thousands of Belarusian rubles, unless otherwise indicated)

10. Loans to customers (continued)

Allowance for ECL on loans to customers measured at amortized cost (continued)

Small and medium business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2021	**10,225**	**1,093**	**27,496**	**–**	**38,814**
New purchased or originated assets	8,492	–	–	423	**8,915**
Assets fully redeemed	(1,037)	(103)	(6,735)	–	**(7,875)**
Transfers to Stage 1	558	(558)	–	–	**–**
Transfers to Stage 2	(7,760)	7,760	–	–	**–**
Transfers to Stage 3	(96)	(4,507)	4,603	–	**–**
Effect on ECL at the period-end due to transfers between stages during the period	(482)	(10,196)	23,069	–	**12,391**
Changes in models and inputs used for ECL calculations	(2,303)	(489)	–	–	**(2,792)**
Changes in contractual cash flows due to modification not resulting in derecognition	318	2	10,063	–	**10,383**
Charge of allowance	2,345	10,740	41,729	276	**55,090**
Amounts written off	–	–	(24,322)	–	**(24,322)**
Exchange differences	(524)	(191)	(3,879)	(36)	**(4,630)**
31 December 2021	**9,736**	**3,551**	**72,024**	**663**	**85,974**

Movements in the gross carrying amount and relevant ECL related to consumer lending for the year ended 31 December 2021 are as follows:

Consumer lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**266,791**	**7,734**	**13,272**	**–**	**287,797**
New purchased or originated assets	86,740	–	–	–	**86,740**
Assets fully redeemed	(44,311)	(769)	(393)	–	**(45,473)**
Changes resulting from issue/redemption	(51,793)	(2,802)	(6,332)	–	**(60,927)**
Transfers to Stage 1	1,351	(1,269)	(82)	–	**–**
Transfers to Stage 2	(2,516)	2,609	(93)	–	**–**
Transfers to Stage 3	(5,738)	(3,197)	8,935	–	**–**
Amounts written off	–	–	(12,420)	–	**(12,420)**
Exchange differences	–	–	–	–	**–**
31 December 2021	**250,524**	**2,306**	**2,887**	**–**	**255,717**

Consumer lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2021	**5,221**	**4,209**	**11,182**	**–**	**20,612**
New purchased or originated assets	3,100	–	–	–	**3,100**
Assets fully redeemed	(502)	(558)	(335)	–	**(1,395)**
Transfers to Stage 1	73	(67)	(6)	–	**–**
Transfers to Stage 2	(588)	600	(12)	–	**–**
Transfers to Stage 3	(1,306)	(1,325)	2,631	–	**–**
Effect on ECL at the period-end due to transfers between stages during the period	(988)	396	(1,106)	–	**(1,698)**
Changes in models and inputs used for ECL calculations	2,411	200	36	–	**2,647**
Charge/(reversal) of allowance	(3,672)	(2,448)	1,787	–	**(4,333)**
Amounts written off	–	–	(12,420)	–	**(12,420)**
Exchange differences	–	–	–	–	**–**
31 December 2021	**3,749**	**1,007**	**1,757**	**–**	**6,513**

(Thousands of Belarusian rubles, unless otherwise indicated)

10. Loans to customers (continued)

Allowance for ECL on loans to customers measured at amortized cost (continued)

Movements in the gross carrying amount and relevant ECL related to residential mortgages for the year ended 31 December 2021 are as follows:

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**115,348**	**540**	**22**	**–**	**115,910**
New purchased or originated assets	25,220	–	–	–	**25,220**
Assets fully redeemed	(3,960)	(67)	(14)	–	**(4,041)**
Changes resulting from issue/redemption	(9,967)	(324)	181	–	**(10,110)**
Transfers to Stage 1	–	–	–	–	**–**
Transfers to Stage 2	(76)	76	–	–	**–**
Transfers to Stage 3	(2)	–	2	–	**–**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	–	–	**–**
Amounts written off	–	–	(189)	–	**(189)**
Exchange differences	–	–	–	–	**–**
31 December 2021	**126,563**	**225**	**2**	**–**	**126,790**

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2021	**47**	**50**	**12**	**–**	**109**
New purchased or originated assets	–	–	–	–	**–**
Assets fully redeemed	(502)	(558)	(335)	–	**(1,395)**
Transfers to Stage 1	–	–	–	–	**–**
Transfers to Stage 2	–	–	–	–	**–**
Transfers to Stage 3	(1)	–	1	–	**–**
Effect on ECL at the period-end due to transfers between stages during the period	(62)	12	–	–	**(50)**
Changes in models and inputs used for ECL calculations	123	27	(8)	–	**142**
Charge of allowance	544	515	519	–	**1,578**
Amounts written off	–	–	(189)	–	**(189)**
Exchange differences	–	–	–	–	**–**
31 December 2021	**149**	**46**	**–**	**–**	**195**

Movements in the gross carrying amount and relevant ECL related to corporate lending for the year ended 31 December 2020 are as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2020	**1,940,631**	**308,749**	**135,025**	**32,222**	**2,416,627**
New purchased or originated assets	690,132	200,763	–	–	**890,895**
Assets fully redeemed	(833,285)	(202,153)	(12,773)	(5,107)	**(1,053,318)**
Changes resulting from issue/redemption	(142,445)	(17,130)	(1,665)	–	**(161,240)**
Transfers to Stage 1	2,422	(2,422)	–	–	**–**
Transfers to Stage 2	(315,371)	316,033	(662)	–	**–**
Transfers to Stage 3	(36,310)	(22)	36,332	–	**–**
Changes in contractual cash flows due to modification not resulting in derecognition	211	53	(61)	–	**203**
Unwinding of discount	–	–	4,824	1,379	**6,203**
Amounts written off	–	–	(5,734)	(6,019)	**(11,753)**
Exchange differences	278,174	128,624	32,049	6,500	**445,347**
31 December 2020	**1,584,159**	**732,495**	**187,335**	**28,975**	**2,532,964**

(Thousands of Belarusian rubles, unless otherwise indicated)

10. Loans to customers (continued)

Allowance for ECL on loans to customers measured at amortized cost (continued)

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2020	**8,314**	**4,753**	**63,011**	**8,395**	**84,473**
New purchased or originated assets	4,406	9,401	–	–	**13,807**
Assets fully redeemed	(1,566)	(3,067)	1,449	(1,095)	**(4,279)**
Transfers to Stage 1	10	(10)	–	–	**–**
Transfers to Stage 2	(1,965)	2,627	(662)	–	**–**
Transfers to Stage 3	(666)	–	666	–	**–**
Effect on ECL at the period-end due to transfers between stages during the period	8	18,139	5,814	–	**23,961**
Changes in models and inputs used for ECL calculations	(615)	30	249	–	**(336)**
Charge of allowance	7,307	2,735	3,196	10,861	**24,099**
Unwinding of discount	–	–	3,776	270	**4,046**
Amounts written off	–	–	(5,734)	(6,019)	**(11,753)**
Exchange differences	2,928	6,650	13,793	2,386	**25,757**
31 December 2020	**18,161**	**41,258**	**85,558**	**14,798**	**159,775**

Movements in the gross carrying amount and relevant ECL related to small business lending for the year ended 31 December 2020 are as follows:

Small and medium business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2020	**636,924**	**61,719**	**33,453**	**1,336**	**733,432**
New purchased or originated assets	342,182	8,925	–	–	**351,107**
Assets fully redeemed	(257,791)	(1,395)	(6,095)	(169)	**(265,450)**
Changes resulting from issue/redemption	(153,375)	(8,045)	(6,533)	898	**(167,055)**
Transfers to Stage 1	7,903	(7,903)	–	–	**–**
Transfers to Stage 2	(10,952)	11,226	(274)	–	**–**
Transfers to Stage 3	(3,356)	(51,619)	54,975	–	**–**
Changes in contractual cash flows due to modification not resulting in derecognition	775	19	–	–	**794**
Amounts written off	–	–	(1,293)	–	**(1,293)**
Exchange differences	119,772	2,753	15,812	440	**138,777**
31 December 2020	**682,082**	**15,680**	**90,045**	**2,505**	**790,312**

Small and medium business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2020	**4,626**	**11,266**	**15,746**	**–**	**31,638**
New purchased or originated assets	3,068	530	–	–	**3,598**
Assets fully redeemed	(1,768)	(31)	(1,784)	(72)	**(3,655)**
Transfers to Stage 1	41	(41)	–	–	**–**
Transfers to Stage 2	(26)	75	(49)	–	**–**
Transfers to Stage 3	(159)	(11,163)	11,322	–	**–**
Effect on ECL at the period-end due to transfers between stages during the period	85	458	8,765	–	**9,308**
Changes in models and inputs used for ECL calculations	2,518	10	909	–	**3,437**
Charge/(reversal) of allowance	192	(187)	(10,553)	72	**(10,476)**
Amounts written off	–	–	(1,293)	–	**(1,293)**
Exchange differences	1,648	176	4,433	–	**6,257**
31 December 2020	**10,225**	**1,093**	**27,496**	**–**	**38,814**

(Thousands of Belarusian rubles, unless otherwise indicated)

10. Loans to customers (continued)

Allowance for ECL on loans to customers measured at amortized cost (continued)

Movements in the gross carrying amount and relevant ECL related to consumer lending for the year ended 31 December 2020 are as follows:

Consumer lending	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January 2020	**249,086**	**2,113**	**4,146**	**–**	**255,345**
New purchased or originated assets	115,316	5,100	–	–	**120,416**
Assets fully redeemed	(632)	(18)	(2,039)	–	**(2,689)**
Changes resulting from issue/redemption	(85,216)	539	8,546	–	**(76,131)**
Transfers to Stage 1	–	–	–	–	**–**
Transfers to Stage 2	(11,763)	11,763	–	–	**–**
Transfers to Stage 3	–	(11,763)	11,763	–	**–**
Amounts written off	–	–	(9,144)	–	**(9,144)**
Exchange differences	–	–	–	–	**–**
31 December 2020	**266,791**	**7,734**	**13,272**	**–**	**287,797**

Consumer lending	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2020	**540**	**1,015**	**3,748**	**–**	**5,303**
New purchased or originated assets	12,701	2,943	–	–	**15,644**
Assets fully redeemed	(3)	(11)	(2,016)	–	**(2,030)**
Transfers to Stage 1	–	–	–	–	**–**
Transfers to Stage 2	(10,052)	10,052	–	–	**–**
Transfers to Stage 3	–	(10,052)	10,052	–	**–**
Effect on ECL at the period-end due to transfers between stages during the period	–	–	–	–	**–**
Changes in models and inputs used for ECL calculations	2,035	262	8,543	–	**10,840**
Amounts written off	–	–	(9,145)	–	**(9,145)**
Exchange differences	–	–	–	–	**–**
31 December 2020	**5,221**	**4,209**	**11,182**	**–**	**20,612**

Movements in the gross carrying amount and relevant ECL related to residential mortgages for the year ended 31 December 2020 are as follows:

Residential mortgages	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
Gross carrying amount at 1 January 2020	**81,743**	**46**	**6**	**–**	**81,795**
New purchased or originated assets	38,806	–	–	–	**38,806**
Assets fully redeemed	(5,201)	–	–	–	**(5,201)**
Changes resulting from issue/redemption	–	494	63	–	**557**
Transfers to Stage 1	–	–	–	–	**–**
Transfers to Stage 2	–	–	–	–	**–**
Transfers to Stage 3	–	–	–	–	**–**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	–	–	**–**
Amounts written off	–	–	(47)	–	**(47)**
Exchange differences	–	–	–	–	**–**
31 December 2020	**115,348**	**540**	**22**	**–**	**115,910**

(Thousands of Belarusian rubles, unless otherwise indicated)

10. Loans to customers (continued)

Allowance for ECL on loans to customers measured at amortized cost (continued)

Residential mortgages	***Stage 1***	***Stage 2***	***Stage 3***	***POCI***	***Total***
ECL at 1 January 2020	**7**	**9**	**6**	**–**	**22**
New purchased or originated assets	15	–	–	–	**15**
Assets fully redeemed	–	–	–	–	**–**
Transfers to Stage 1	–	–	–	–	**–**
Transfers to Stage 2	–	–	–	–	**–**
Transfers to Stage 3	–	–	–	–	**–**
Effect on ECL at the period-end due to transfers between stages during the period	–	–	–	–	**–**
Changes in models and inputs used for ECL calculations	25	41	53	–	**119**
Amounts written off	–	–	(47)	–	**(47)**
Exchange differences	–	–	–	–	**–**
31 December 2020	**47**	**50**	**12**	**–**	**109**

As at 31 December 2021, the Bank introduced certain changes to the ECL assessment process due to the ongoing COVID-19 pandemic. In particular, the Bank updated forward-looking information on macroeconomic indicators and scenarios' weights. Information on macroeconomic indicators and scenarios' weights is presented in Note 29.

The contractual amount outstanding on loans and advances to customers at amortized cost that were written off during the year ended 31 December 2021 and that are still subject to enforcement activity amounted to BYN 72,919 thousand (2020: BYN 22,237 thousand).

The undiscounted ECL at initial recognition on acquired credit-impaired loans and advances to customers that were initially recognized during the years ended 31 December 2021 and 2020 are as follows:

	2021	***2020***
Corporate lending	–	–
Small and medium business lending	423	–
Total undiscounted ECL at initial recognition of POCI assets	**423**	**–**

Modified and restructured loans

The table below includes Stage 2 and Stage 3 assets that were renegotiated during the period and, as a result, recognized as restructured assets, and the associated losses incurred by the Bank due to the modification.

	2021	***2020***
Loans to customers modified during the period	**33,763**	**43,997**
Amortized cost before modification	33,157	44,008
Effect from modification	606	(11)
Loans to customers modified since initial recognition	**217,565**	**215,916**
The gross carrying amount of loans to customers as at 1 January, for which the calculation of the allowance for ECL was changed to 12-month ECL	58,837	10,325

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- For securities lending – cash or securities
- For corporate lending – charges over real estate property, equipment, vehicles, inventory, rights to claim future proceeds on accounts receivables or surety of third parties
- For consumer lending – mortgages over residential properties, pledges of vehicles and surety of third parties.

(Thousands of Belarusian rubles, unless otherwise indicated)

10. Loans to customers (continued)

Collateral and other credit enhancements (continued)

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

In the absence of collateral or other credit enhancements, ECL on Stage 3 loans to customers as at 31 December 2021 would have increased by BYN 1,727 thousand (2020: BYN 52,974 thousand).

Concentration of loans to customers

As at 31 December 2021, the Bank had a concentration of loans represented by BYN 935,521 thousand due from the ten largest borrowers (groups of related borrowers) (29% of the gross loan portfolio) (2020: BYN 1,163,092 thousand, or 31%). An allowance of BYN 104,485 thousand was recognized against these loans (2020: BYN 97,697 thousand).

Loans have been issued to the following types of customers:

	2021	***2020***
Private companies	1,739,051	1,738,421
State-controlled companies (state ownership of more than 50%)	1,104,966	1,620,854
Individuals	382,507	403,707
Total loans to customers	**3,226,524**	**3,762,982**

As at 31 December 2021, the carrying amount of assets received in repayment of debt was BYN 1,515 thousand (31 December 2020: BYN 1,415 thousand) (Note 18).

Loans are issued principally within the Republic of Belarus in the following industry sectors:

	2021	***2020***
Manufacturing	1,432,549	1,884,236
Trading enterprises	601,959	605,565
Individuals	382,507	403,707
Real estate construction	255,776	260,538
Agriculture and food processing	252,253	288,607
Financial sector	201,620	136,769
Transport	45,676	147,061
Science and education	553	2,774
Other	53,631	33,725
	3,226,524	**3,762,982**

Finance lease receivables

Finance lease receivables are included in the corporate lending portfolio. The analysis of finance lease receivables as at 31 December 2021 is as follows:

	Not later than 1 year	***Later than 1 year and not later than 5 years***	***Later than 5 years***	***Total***
Total investments in finance leases	76	13	–	**89**
Unearned future finance income on finance leases	(7)	–	–	**(7)**
Net investment in finance leases	**69**	**13**	**–**	**82**

(Thousands of Belarusian rubles, unless otherwise indicated)

10. Loans to customers (continued)

Finance lease receivables (continued)

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

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Total investments in finance leases	101	89	–	**190**
Unearned future finance income on finance leases	(19)	(7)	–	**(26)**
Net investment in finance leases	**82**	**82**	**–**	**164**

11. Investment securities

Investment securities comprise:

	2021	*2020*
Debt securities at FVOCI		
Bonds of the Ministry of Finance of the Republic of Belarus	499,361	390,347
Bonds of the Development Bank	90,397	106,528
Bonds of resident banks of the Republic of Belarus	30,578	8,251
Bonds of local authorities of the Republic of Belarus	10,620	13,073
Debt securities at FVOCI	**630,956**	**518,199**
Equity securities at FVOCI		
Participation shares	367	367
Corporate shares	121	121
Equity securities at FVOCI	**488**	**488**

Movements in the gross carrying amount of debt securities at FVOCI for the year ended 31 December 2021 are as follows:

Debt securities at FVOCI	*Stage 1*	*Stage 2*	*Total*
Gross carrying amount at 1 January 2021	**518,687**	**–**	**518,687**
New purchased or originated assets	237,055	13,632	**250,687**
Assets fully redeemed	(8,929)	–	**(8,929)**
Assets sold	(73,526)	–	**(73,526)**
Transfers to Stage 2	(90,397)	90,397	**–**
Change in fair value	(43,263)	–	**(43,263)**
Exchange differences	(12,212)	–	**(12,212)**
31 December 2021	**527,415**	**104,029**	**631,444**

Movements in allowances for ECL on debt securities at FVOCI for the year ended 31 December 2021 are as follows:

Debt securities at FVOCI	*Stage 1*	*Stage 2*	*Total*
Allowance for ECL at 1 January 2021	**6,464**	**–**	**6,464**
New purchased or originated assets	5,889	220	**6,109**
Assets fully redeemed	(41)	–	**(41)**
Assets sold	(948)	–	**(948)**
Transfers to Stage 2	(2,624)	2,624	**–**
Reversal of allowance	(1,163)	–	**(1,163)**
Exchange differences	(158)	–	**(158)**
31 December 2021	**7,419**	**2,844**	**10,263**

(Thousands of Belarusian rubles, unless otherwise indicated)

11. Investment securities (continued)

Movements in the gross carrying amount of debt securities at FVOCI for the year ended 31 December 2020 are as follows:

Debt securities at FVOCI	***Stage 1***	***Total***
Gross carrying amount at 1 January 2020	**415,390**	**415,390**
New purchased or originated assets	196,509	**196,509**
Assets fully redeemed	(61,355)	**(61,355)**
Assets sold	(70,050)	**(70,050)**
Change in fair value	(21,409)	**(21,409)**
Exchange differences	59,602	**59,602**
31 December 2020	**518,687**	**518,687**

Movements in allowances for ECL on debt securities at FVOCI for the year ended 31 December 2020 are as follows:

Debt securities at FVOCI	***Stage 1***	***Total***
Allowance for ECL at 1 January 2020	**3,404**	**3,404**
New purchased or originated assets	2,527	**2,527**
Assets fully redeemed	(409)	**(409)**
Assets sold	(654)	**(654)**
Charge of allowance	1,084	**1,084**
Exchange differences	512	**512**
31 December 2020	**6,464**	**6,464**

In 2021, the Bank received dividends on equity instruments at FVOCI in the amount of BYN 458 thousand (2020: BYN 448 thousand), which were recognized within other income in the consolidated statement of profit or loss.

12. Investments in associates and jointly controlled entities

The following associates and jointly controlled entities are accounted under the equity method:

						Carrying amount at	
Associate	***Ownership/ voting, %***	***Country***	***Date of incorporation***	***Industry***	***Date of acquisition***	***31 December 2021***	***31 December 2020***
Sivelga CJSC	25.002	Republic of Belarus	30 April 1996	Manufacturing	3 October 2006	–	–

						Carrying amount at	
Jointly controlled entities	***Ownership/ voting, %***	***Country***	***Date of incorporation***	***Industry***	***Date of acquisition***	***31 December 2021***	***31 December 2020***
BelVEB Capital LLC	19.00	Republic of Belarus	10 July 2019	Other	10 July 2019	7,014	2,292
BelVEB Service LLC	19.00	Republic of Belarus	1 October 2019	Other	1 October 2019	114	176
BelVEB Consult LLC	34.39	Republic of Belarus	18 December 2019	Other	18 December 2019	81	78

In 2019, the Bank co-founded three companies, which became jointly controlled entities: BelVEB Capital LLC, BelVEB Service LLC and BelVEB Consult LLC.

Movements in investments in associates were as follows:

	2021	***2020***
Balance, beginning of the period	**–**	**265**
Acquisition cost	–	–
Disposals	–	–
Reclassification	–	–
Share of loss	–	(265)
Investments in associates, end of the period	**–**	**–**

(Thousands of Belarusian rubles, unless otherwise indicated)

12. Investments in associates and jointly controlled entities (continued)

The share of loss in associates is related to a significant deterioration of the financial position and decrease in net assets of Sivelga CJSC.

Movements in investments in jointly controlled entities were as follows:

	2021	*2020*
Balance, beginning of the period	**2,546**	**4,992**
Share of profit/(loss)	4,663	(2,446)
Investments in jointly controlled entities, end of the period	**7,209**	**2,546**

13. Property and equipment

During 2021, movements in property and equipment were as follows:

	Buildings	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Assets under construction*	*Total*
Cost or revalued amount						
31 December 2020	**27,471**	**35,759**	**44,503**	**4,035**	**1,329**	**113,097**
Additions	302	8,365	4,241	–	6,565	**19,473**
Disposals	(1,916)	(5,339)	(423)	(57)	(27)	**(7,762)**
Effect of revaluation	1,283	–	–	–	–	**1,283**
31 December 2021	**27,140**	**38,785**	**48,321**	**3,978**	**7,867**	**126,091**
Accumulated depreciation and impairment						
31 December 2020	**(547)**	**(18,066)**	**(38,082)**	**(2,803)**	**–**	**(59,498)**
Depreciation charge	(277)	(3,253)	(2,362)	(337)	–	**(6,229)**
Disposals	2	2,340	198	37	–	**2,577**
Effect of revaluation	822	–	–	–	–	**822**
31 December 2021	**–**	**(18,979)**	**(40,246)**	**(3,103)**	**–**	**(62,328)**
Net book value						
31 December 2020	**26,924**	**17,693**	**6,421**	**1,232**	**1,329**	**53,599**
31 December 2021	**27,140**	**19,806**	**8,075**	**875**	**7,867**	**63,763**

During 2020, movements in property and equipment were as follows:

	Buildings	*Furniture and fixtures*	*Computers and office equipment*	*Motor vehicles*	*Assets under construction*	*Total*
Cost or revalued amount						
31 December 2019	**25,065**	**38,047**	**44,452**	**3,490**	**1,767**	**112,821**
Additions	2,406	5,546	2,845	678	170	**11,645**
Disposals	–	(7,834)	(2,794)	(133)	(608)	**(11,369)**
31 December 2020	**27,471**	**35,759**	**44,503**	**4,035**	**1,329**	**113,097**
Accumulated depreciation and impairment						
31 December 2019	**(274)**	**(21,421)**	**(36,827)**	**(2,538)**	**–**	**(61,060)**
Depreciation charge	(273)	(3,773)	(4,049)	(398)	–	**(8,493)**
Disposals	–	7,128	2,794	133	–	**10,055**
31 December 2020	**(547)**	**(18,066)**	**(38,082)**	**(2,803)**	**–**	**(59,498)**
Net book value						
31 December 2019	**24,791**	**16,626**	**7,625**	**952**	**1,767**	**51,761**
31 December 2020	**26,924**	**17,693**	**6,421**	**1,232**	**1,329**	**53,599**

(Thousands of Belarusian rubles, unless otherwise indicated)

13. Property and equipment (continued)

As at 31 December 2021, the Bank restated the fair value of buildings based on their market value. The Bank engaged an independent appraiser to determine the fair value of its buildings. Fair value was determined by reference to market-based evidence. The date of the revaluation was 31 December 2021. More details about the fair value of buildings are disclosed in Note 30.

Measured using the cost model, the carrying amounts would be as follows:

	2021	*2020*
Cost	**24,656**	**26,319**
Accumulated depreciation and impairment	(12,322)	(11,935)
Net book value	**12,334**	**14,384**

14. Right-of-use assets

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

	Buildings	*Motor vehicles*	*Total*
Cost			
1 January 2021	**15,037**	**1,217**	**16,254**
Additions	8,401	–	**8,401**
Disposals	(4,262)	–	**(4,262)**
Modifications	2,296	–	**2,296**
31 December 2021	**21,472**	**1,217**	**22,689**
Accumulated depreciation and impairment			
1 January 2021	**(5,467)**	**(382)**	**(5,849)**
Depreciation charge	(5,642)	(242)	**(5,884)**
Disposals	3,481	–	**3,481**
31 December 2021	**(7,628)**	**(624)**	**(8,252)**
Net book value			
1 January 2021	**9,570**	**835**	**10,405**
31 December 2021	**13,844**	**593**	**14,437**

	Buildings	*Equipment*	*Motor vehicles*	*Total*
Cost				
1 January 2020	**4,830**	**6**	**1,217**	**6,053**
Additions	11,657	–	–	**11,657**
Disposals	(1,497)	(6)	–	**(1,503)**
Modifications	46	–	–	**46**
31 December 2020	**15,036**	**–**	**1,217**	**16,253**
Accumulated depreciation and impairment				
1 January 2020	**(1,350)**	**(3)**	**(141)**	**(1,494)**
Depreciation charge	(5,356)	–	(243)	**(5,599)**
Disposals	1,242	3	–	**1,245**
31 December 2020	**(5,464)**	**–**	**(384)**	**(5,848)**
Net book value				
1 January 2020	**3,480**	**3**	**1,076**	**4,559**
31 December 2020	**9,572**	**–**	**833**	**10,405**

In 2021, total cash outflow on the Bank's leases amounted to BYN 1,633 thousand (2020: BYN 6,550 thousand).

(Thousands of Belarusian rubles, unless otherwise indicated)

15. Intangible assets

Movements in intangible assets were as follows:

	Licenses	*Computer software*	*Investments in intangible assets*	*Total*
Cost				
31 December 2020	**28,200**	**65,584**	**7,397**	**101,181**
Additions	4,089	8,665	7,644	**20,398**
Disposals	(38)	(160)	(136)	**(334)**
Transfers between categories	409	4,275	(4,684)	**–**
31 December 2021	**32,660**	**78,364**	**10,221**	**121,245**
Accumulated amortization and impairment				
31 December 2020	**(18,024)**	**(42,637)**	**–**	**(60,661)**
Amortization charge	(3,349)	(12,008)	–	(15,357)
Disposals	37	132	–	169
31 December 2021	**(21,336)**	**(54,513)**	**–**	**(75,849)**
Net book value				
31 December 2020	**10,176**	**22,947**	**7,397**	**40,520**
31 December 2021	**11,324**	**23,851**	**10,221**	**45,396**
Cost				
31 December 2019	**29,115**	**55,814**	**5,101**	**90,030**
Additions	2,246	8,312	6,351	**16,909**
Disposals	(3,302)	(2,456)	–	**(5,758)**
Transfers between categories	141	3,914	(4,055)	**–**
31 December 2020	**28,200**	**65,584**	**7,397**	**101,181**
Accumulated amortization and impairment				
31 December 2019	**(15,528)**	**(32,882)**	**–**	**(48,410)**
Amortization charge	(3,456)	(10,191)	–	**(13,647)**
Disposals	960	436	–	**1,396**
31 December 2020	**(18,024)**	**(42,637)**	**–**	**(60,661)**
Net book value				
31 December 2019	**13,587**	**22,932**	**5,101**	**41,620**
31 December 2020	**10,176**	**22,947**	**7,397**	**40,520**

16. Taxation

The income tax expense comprises:

	2021	*2020*
Current tax charge	12,665	3,100
Deferred tax charge/(credit) — origination and reversal of temporary differences	(3,476)	(1,386)
Less deferred tax recognized directly in equity	(286)	–
Income tax expense	**8,903**	**1,714**

The Bank accounts for taxes based on the tax accounting maintained in accordance with the Belarusian tax legislation. In 2021, income tax rate for Bank BelVEB OJSC and its subsidiary, BelVEB Insurance UIE, was 25% (2020: 25%). VEB Technologies LLC, DFS LLC and BelVEB IT LLC, the Bank's subsidiaries, are residents of the Hi-Tech Park and are entitled to the exemption from the income tax on principal activities. The entities apply a reduced rate of 9% for other non-operating and operating income.

(Thousands of Belarusian rubles, unless otherwise indicated)

16. Taxation (continued)

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

	2021	*2020*
Profit before tax	**39,624**	**14,938**
Statutory tax rate	25%	25%
Theoretical income tax expense at the statutory rate	**9,906**	**3,735**
Investment tax credits	(307)	(320)
Non-taxable income from securities	(10,283)	(10,221)
Other non-taxable income	(1,096)	(1,196)
Non-deductible expenditures	9,383	5,790
Effect of elimination of unrealized gains on sale of assets to subsidiaries exempt from income tax	–	802
Tax effect of other permanent differences	1,300	3,124
Income tax expense	**8,903**	**1,714**

As at 31 December, deferred tax assets and liabilities and their movements for the respective years comprise:

	1 January 2020	*Origination and reversal of temporary differences*	*31 December 2020*	*Origination and reversal of temporary differences*		*31 December 2021*
		In the statement of profit or loss		*In the statement of profit or loss*	*In other comprehensive income*	
Tax effect of deductible temporary differences						
Cash and cash equivalents	1	5	6	(1)	–	5
Investment securities	23	30	53	96	–	149
Property and equipment and intangible assets	27	4,356	4,383	(571)	(286)	3,526
Derivative financial instruments	486	(282)	204	(57)	–	147
Debt securities issued	–	–	–	19	–	19
Amounts due to customers	80	(30)	50	(24)	–	26
Amounts due to credit institutions	–	–	–	124	–	124
Amounts due from credit institutions	4	92	96	(91)	–	5
Investments	–	–	10	–	–	10
Other liabilities	387	265	642	456	–	1,098
Provisions for potential losses	–	77	77	(77)	–	–
Deferred tax assets, gross	**1,008**	**4,513**	**5,521**	**(126)**	**(286)**	**5,109**
Tax effect of taxable temporary differences						
Provisions for potential losses	(3,091)	2,677	(414)	(825)	–	(1,239)
Amounts due to credit institutions	(802)	(365)	(1,167)	1,167	–	–
Amounts due to customers	–	–	–	–	–	–
Amounts due from credit institutions	(718)	718	–	(4)	–	(4)
Loans to customers	(13,224)	(6,740)	(19,964)	7,520	–	(12,444)
Investments in associates and jointly controlled entities	(1,281)	739	(542)	(1,157)	–	(1,699)
Debt securities issued	(38)	(50)	(88)	88	–	–
Property and equipment, intangible assets	–	–	–	(4)	–	(4)
Other assets	(158)	(106)	(264)	(2,897)	–	(3,161)
Deferred tax liability	**(19,312)**	**(3,127)**	**(22,439)**	**3,888**	**–**	**(18,551)**
Net deferred tax liability	**(18,304)**	**1,386**	**(16,918)**	**3,762**	**(286)**	**(13,442)**

As at 31 December 2021, Bank BelVEB OJSC recognized a deferred tax liability in the amount of BYN 11,897 thousand. BelVEB Insurance UIE, the Bank's subsidiary, recognized a deferred tax liability in the amount of BYN 1,545 thousand.

As at 31 December 2020, Bank BelVEB OJSC recognized a deferred tax liability in the amount of BYN 16,191 thousand. BelVEB Insurance UIE, the Bank's subsidiary, recognized a deferred tax liability in the amount of BYN 727 thousand.

(Thousands of Belarusian rubles, unless otherwise indicated)

17. Credit loss expense and other impairment

The table below shows credit loss expense and other impairment recorded in the consolidated statement of profit or loss for the year ended 31 December 2021:

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Amounts due from credit institutions	8	(180)	20	–	–	**(160)**
Loans to customers at amortized cost	10	(13,888)	58	122,477	13,558	**122,205**
Debt securities at FVOCI	11	1,113	2,844	–	–	**3,957**
Other financial assets	18	112	16	(130)	–	**(2)**
Financial guarantees	25	1,926	(4,326)	(4,288)	–	**(6,688)**
Undrawn loan commitments	25	240	(498)	269	–	**11**
Letters of credit	25	(746)	91	–	–	**(655)**
Total credit loss expense		**(11,423)**	**(1,795)**	**118,328**	**13,558**	**118,668**

The table below shows credit loss expense and other impairment recorded in the consolidated statement of profit or loss for the year ended 31 December 2020:

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Amounts due from credit institutions	8	151	–	–	–	**151**
Loans to customers at amortized cost	10	15,591	22,741	35,954	9,766	**84,052**
Debt securities at FVOCI	11	2,548	–	–	–	**2,548**
Other financial assets	18	6	7	164	–	**177**
Financial guarantees	25	(110)	3,280	3,580	–	**6,750**
Undrawn loan commitments	25	681	2,808	42	–	**3,531**
Letters of credit	25	357	(1)	–	–	**356**
Total credit loss expense		**19,224**	**28,835**	**39,740**	**9,766**	**97,565**

Movements in allowances for ECL were as follows:

	Other non-financial assets	*Total*
31 December 2019	**186**	**186**
Charge (reversal)	–	**–**
31 December 2020	**186**	**186**
Reversal	(27)	**(27)**
31 December 2021	**159**	**159**

18. Other assets and liabilities

Other assets comprise:

	2021	*2020*
Other financial assets		
Other receivables	2,103	216
Accrued income	1,241	1,968
Less allowance for ECL on other financial assets	(215)	(217)
Total other financial assets	**3,129**	**1,967**
Advances issued	13,256	13,070
Insurance settlements	8,714	4,558
Prepaid taxes other than income tax	5,292	4,378
Prepaid expenses	3,988	3,928
Re-insurer's share in unearned insurance premium reserves	3,719	816
Repossessed collateral	1,515	1,415
Government grants	497	720
Other non-financial assets	2,342	1,566
Less allowance for ECL on other non-financial assets	(159)	(186)
Total other non-financial assets	**39,164**	**30,265**
Other assets	**42,293**	**32,232**

(Thousands of Belarusian rubles, unless otherwise indicated)

18. Other assets and liabilities (continued)

Movements in allowances for ECL on other financial assets for the year ended 31 December 2021 were as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL at 1 January 2021	**6**	**10**	**201**	**217**
New purchased or originated assets	111	26	61	**198**
Charge/(reversal) of allowance	1	(10)	(191)	**(200)**
31 December 2021	**118**	**26**	**71**	**215**

Movements in allowances for ECL on other financial assets for the year ended 31 December 2020 were as follows:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL at 1 January 2020	**–**	**3**	**37**	**40**
New purchased or originated assets	6	10	155	**171**
Charge/(reversal) of allowance	–	(3)	9	**6**
31 December 2020	**6**	**10**	**201**	**217**

Other liabilities and provisions comprise:

	2021	*2020*
Other financial liabilities	**19,178**	**15,735**
Settlements with suppliers	12,272	11,204
Accrued expenses	4,756	3,946
Other financial liabilities	2,150	585
Other non-financial liabilities	**44,485**	**42,221**
Insurance loss provision	18,398	12,362
Provisions for contingent liabilities	10,242	18,096
Other deferred income	8,110	5,723
Settlements with employees	4,878	3,341
Taxes payable other than income tax	2,857	2,699
Other liabilities and provisions	**63,663**	**57,956**

19. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2021	*2020*
Time deposits and loans	1,165,960	1,295,524
Current accounts	339,636	105,254
Other accounts	8,195	7,520
Amounts due to credit institutions	**1,513,791**	**1,408,298**

As at 31 December 2021 and 2020, amounts due to credit institutions included into "Other accounts" are represented by guarantee deposits for transactions using the payment cards.

20. Amounts due to the National Bank of the Republic of Belarus

As at 31 December 2021, amounts due to the National Bank of the Republic of Belarus comprise lombard loans raised and collateralized by securities in the amount of BYN 37,452 thousand (31 December 2020: demand deposits in the amount of BYN 26 thousand).

(Thousands of Belarusian rubles, unless otherwise indicated)

21. Amounts due to customers

Amounts due to customers include the following:

	2021	*2020*
Time deposits	1,843,885	1,893,342
Current accounts	622,930	706,956
Amounts due to customers	**2,466,815**	**2,600,298**
Held as collateral against letters of credit	–	–
Held as collateral against guarantees	7,147	479

As at 31 December 2021, amounts due to customers of BYN 436,492 thousand (18%) were due to the ten largest customers (2020: BYN 431,377 thousand or 17%).

Included in time deposits are deposits of individuals in the amount of BYN 612,135 thousand (2020: BYN 808,345 thousand).

As at 31 December 2021, the amounts due to customers included funds in precious metals on current accounts of individuals designated as at fair value through profit or loss totaling BYN 543 thousand (2020: BYN 672 thousand).

Amounts due to customers include accounts of the following types of customers:

	2021	*2020*
Private companies	1,215,142	1,251,363
Individuals, other than employees	795,599	1,013,384
State and budgetary organizations	442,913	322,415
Employees	13,161	13,136
Amounts due to customers	**2,466,815**	**2,600,298**

The category “State and budgetary organizations” includes only state and budgetary organizations of the Republic of Belarus. Foreign state enterprises are included in the “Private companies” category.

The analysis of customer accounts by economic sector is as follows:

	2021	*2020*
Individuals	808,760	1,026,520
Manufacturing	447,770	446,469
Trade	283,967	278,978
Agriculture and food processing	203,851	159,960
Real estate and construction	135,061	139,767
Finance	78,454	149,266
Science and education	72,384	63,829
Health care, physical training and sport	59,337	9,761
Transport	57,725	53,176
Mining	51,930	27,647
Logistics	24,851	8,330
Regional authorities	11,669	11,232
Mass media	5,807	5,343
Telecommunications	5,687	14,792
Water supply	24	9
Other	219,538	205,219
Amounts due to customers	**2,466,815**	**2,600,298**

(Thousands of Belarusian rubles, unless otherwise indicated)

22. Debt securities issued

Debt securities issued are denominated in BYN, RUB and USD and comprise:

	2021	*2020*
Domestic bonds issued	113,123	78,457
Debt securities issued	**113,123**	**78,457**

As at 31 December 2021, the Bank issued registered interest-bearing bonds with a total nominal value of BYN 111,825 thousand (2020: BYN 77,785 thousand) having the offer date in March 2022 for the amount of BYN 3,985 thousand, in December 2022 for the amount of BYN 58,698 thousand; maturing in January 2024 for the amount of BYN 640 thousand and maturing in July 2026 for the amount of BYN 48,502 thousand. As at 31 December 2021, the nominal interest rate on domestic bonds is 7.875 % p.a. for the sixth issue and 9.23 % p.a. for the eighth issue of BYN-denominated bonds (2020: 6.125% p.a. for the sixth issue and 7.875% p.a. for the eighth issue of BYN-denominated bonds); 3.2% p.a. for the seventh issue of USD-denominated bonds; and 4.8% p.a. for the eleventh issue and 5.5% p.a. for the fourteenth issue of RUB-denominated bonds.

23. Subordinated debt

Subordinated debt comprises:

	Currency	*Maturity*	*Interest rate*	*2021*	*2020*
Subordinated loan from VEB.RF	USD	16 July 2031	4.24%	75,096	77,459
Subordinated loan from VEB.RF	USD	16 July 2031	4.24%	35,045	35,056
Subordinated loan from VEB.RF	USD	26 July 2023	6.24%	104,354	105,696
Subordinated loan from VEB.RF	USD	13 May 2024	7.18%	38,960	39,256
Subordinated loan				**253,455**	**257,467**

In July 2021, two subordinated loans maturing in 10 years were extended, as a result, the effect of BYN 2,292 thousand was recognized in “Additional paid-in capital” in the consolidated statement of changes in equity.

24. Equity

Movements in shares issued, fully paid and outstanding were as follows:

	Number of shares (all ordinary)	*Nominal value (all ordinary)*	*Inflation adjustment*	*Total*
1 January 2020	11,740,750,000	117,408	355,649	**473,057**
31 December 2020	11,740,750,000	117,408	355,649	**473,057**
31 December 2021	11,740,750,000	117,408	355,649	**473,057**

The share capital of Bank BelVEB OJSC was contributed by the shareholders in Belarusian rubles and they are entitled to dividends and any capital distribution in Belarusian rubles. All shares are ordinary with the nominal value of BYN 0.01. At the Shareholders’ Meetings held in March 2021 and March 2020, Bank BelVEB OJSC did not declare dividends in respect of the reporting years ended 31 December 2020 and 31 December 2019, respectively. In accordance with the Belarusian legislation, dividends may only be declared to the shareholders of the Bank from accumulated undistributed and unreserved earnings as shown in financial statements of the Bank prepared in accordance with Belarusian rules for maintaining accounting records. The Bank had BYN 446,800 thousand of undistributed and unreserved earnings as at 31 December 2021 (2020: BYN 406,278 thousand).

Nature and purpose of other reserves

The revaluation reserve for buildings is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

The revaluation reserve for securities records changes in the fair value and allowance for financial assets at FVOCI.

(Thousands of Belarusian rubles, unless otherwise indicated)

24. Equity (continued)

Nature and purpose of other reserves (continued)

Movements in other reserves were as follows:

	Revaluation reserve for buildings	*Revaluation reserve for securities*	*Total*
1 January 2020	**2,502**	**15,617**	**18,119**
Revaluation of buildings	–	–	**–**
Tax effect of revaluation of buildings	–	–	**–**
Amortization of revaluation reserve	(26)	–	**(26)**
Amortization of tax effect of revaluation of buildings	3	–	**3**
Net change in the fair value of debt instruments at FVOCI	–	(21,409)	**(21,409)**
Change in the allowance for ECL on debt instruments at FVOCI	–	3,060	**3,060**
31 December 2020	**2,479**	**(2,732)**	**(253)**
1 January 2021	**2,479**	**(2,732)**	**(253)**
Revaluation of buildings	702	–	**702**
Tax effect of revaluation of buildings	(286)	–	**(286)**
Disposal of revaluation reserve	(436)	–	**(436)**
Amortization of revaluation reserve	(27)	–	**(27)**
Amortization of tax effect of revaluation of buildings	3	–	**3**
Net change in the fair value of debt instruments at FVOCI	–	(60,836)	**(60,836)**
Change in the allowance for ECL on debt instruments at FVOCI	–	3,815	**3,815**
31 December 2021	**2,435**	**(59,753)**	**(57,318)**

25. Commitments and contingencies

Operating environment

Based on the results for 2021, the GDP of the Republic of Belarus increased by 2.3%. The GDP growth was mainly attributed to the industrial sector (+1.6 p.p.), which grew by 6.5% in the reporting year.

Based on the results for 2021, a positive balance of foreign trade in goods and services increased by 98.7% year-on-year and equals USD 3,772.1 million or 8.3% of the import volume that was beneficial to the exchange rate of the national currency. In 2021, the currency basket appreciated by 3.0%, and the BYN/USD, BYN/EUR and BYN/RUB exchange rates increased by 1.2%, 9.0% and 1.6%, respectively.

The average official exchange rates of the Belarusian ruble against foreign currencies calculated as the arithmetic mean were BYN 2.5384 to USD 1, BYN 3.005 to EUR 1 and BYN 3.4469 to RUB 100 in 2021.

Inflation rates accelerated in 2021. With the target level of up to 5%, the annual consumer price growth rate was 9.97%. The price growth was caused by external factors (loose monetary policy of a number of leading countries, increase in logistic costs on the back of epidemiological restrictions, growth in global prices for food products, surge in consumer demand in contrast to the insufficient supply) and internal factors (removal of VAT exemptions for certain groups of imported goods, rise in fuel cost amidst growing oil prices, expectations with respect to inflation and devaluation).

To mitigate inflation risks and enhance control over the money supply, the National Bank of the Republic of Belarus decided to increase the refinancing rate by 150 basis points in 2021 (from 7.75% to 9.25%). In accordance with the Monetary Policy Guidelines of the Republic of Belarus for 2022, the target inflation level was set at 6% and the average annual refinancing rate was within 9-10%.

In early 2021, the credit and deposit market faced difficulties due to the outflow of the resource base and, as a result, liquidity issues. At the same time, an increase in rates and strengthening of the national currency contributed to the stabilization of the situation. The average broad money supply for December 2021 increased by 6.6% as compared to December 2020 with a target growth rate of 7-10%.

(Thousands of Belarusian rubles, unless otherwise indicated)

25. Commitments and contingencies (continued)

Operating environment (continued)

Being highly integrated with the Russian economy, the Belarusian economy is significantly impacted by Russian economic developments. In 2021, the Russian economy demonstrated recovery after the economic slowdown of 2020 against the background of restrictive measures introduced due to the spread of COVID-19 and the decline in global demand for energy resources.

In 2021, sovereign ratings of the Republic of Belarus assigned by international rating agencie
s did not change: Moody's – B3 with a negative outlook; Fitch Ratings – B with a negative outlook; Standard & Poor's – B with a negative outlook.

Legal

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

Taxation

Belarusian legislation and regulations regarding taxation and other operational matters, including currency exchange control and customs regulations, continue to evolve. Legislation and regulations are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are usual. At the same time, there is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future. Fiscal periods remain open to review for a period of five calendar years immediately preceding the year of review, and the expired period of the current calendar year. Under certain circumstances reviews may cover longer periods. As a result, additional taxes, penalties and interest may be assessed by the supervisory authorities. The Belarusian tax legislation ensures control over transfer pricing and sets out requirements to transfer pricing reporting. Tax authorities may assess additional income tax liabilities in respect of all controlled transactions if they believe that prices applied in such transactions differ from market prices. Due to the uncertainty and absence of current practice of application of the current transfer pricing legislation in the Republic of Belarus, it is impossible to rule out that the tax authorities will challenge the level of prices applied under controlled transactions and assess additional income tax liabilities unless the Bank is able to prove the arm's length nature of prices used in controlled transactions and submits the respective documentary evidence to the tax authorities. However, it is impossible to determine the amount of potential claims from the tax authorities in connection with transfer pricing.

It is not practical to determine the amount of unasserted claims, if any, that may arise or the likelihood of any unfavorable outcome.

Taxes are accrued and settled in accordance with tax legislation of the Republic of Belarus. As at 31 December 2021, management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Commitments and contingencies

As at 31 December, the Bank's commitments and contingencies comprised:

	2021	*2020*
Credit related commitments		
Undrawn loan commitments	678,929	220,673
Guarantees	312,856	403,714
Letters of credit	100,060	176,203
Commitments and contingencies (before deducting collateral)	**1,091,845**	**800,590**
Less cash held as security against letters of credit and guarantees	(7,147)	(479)
Commitments and contingencies	**1,084,698**	**800,111**

(Thousands of Belarusian rubles, unless otherwise indicated)

25. Commitments and contingencies (continued)

Commitments and contingencies (continued)

Movements in provisions for ECL for the year ended 31 December 2021 were as follows:

Undrawn loan commitments	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Provision for ECL at 1 January 2021	**967**	**3,629**	**68**	**4,664**
New commitments	907	2,804	147	**3,858**
Expired commitments	(509)	(3,628)	(63)	**(4,200)**
Transfers to Stage 1	–	–	–	**–**
Transfers to Stage 2	(44)	44	–	**–**
Transfers to Stage 3	(57)	–	57	**–**
Charge/(reversal) of provision	(57)	282	128	**353**
Exchange differences	(59)	(152)	(16)	**(227)**
31 December 2021	**1,148**	**2,979**	**321**	**4,448**

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Provision for ECL at 1 January 2021	**902**	**–**	**–**	**902**
New letters of credit	135	33	–	**168**
Expired letters of credit	(553)	–	–	**(553)**
Transfers to Stage 1	–	–	–	**–**
Transfers to Stage 2	(302)	302	–	**–**
Transfers to Stage 3	–	–	–	**–**
Charge of provision	(26)	(244)	–	**(270)**
Exchange differences	(8)	(4)	–	**(12)**
31 December 2021	**148**	**87**	**–**	**235**

Financial guarantees	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Provision for ECL at 1 January 2021	**2,229**	**5,026**	**5,275**	**12,530**
New financial guarantees	2,951	347	–	**3,298**
Expired financial guarantees	(1,567)	(39)	(5,235)	**(6,841)**
Transfers to Stage 1	4,664	(4,664)	–	**–**
Transfers to Stage 2	(21)	–	–	**(21)**
Transfers to Stage 3	(276)	–	276	**–**
Charge/(reversal) of provision	(3,825)	30	671	**(3,124)**
Exchange differences	(202)	(34)	(48)	**(284)**
31 December 2021	**3,953**	**666**	**939**	**5,558**

Movements in provisions for ECL for the year ended 31 December 2020 were as follows:

Undrawn loan commitments	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Provision for ECL at 1 January 2020	**70**	**10**	**11**	**91**
New commitments	851	3,628	34	**4,513**
Expired commitments	(35)	(8)	(9)	**(52)**
Transfers to Stage 1	–	–	–	**–**
Transfers to Stage 2	–	–	–	**–**
Transfers to Stage 3	–	–	–	**–**
Charge/(reversal) of provision	(135)	(812)	17	**(930)**
Exchange differences	216	811	15	**1,042**
31 December 2020	**967**	**3,629**	**68**	**4,664**

(Thousands of Belarusian rubles, unless otherwise indicated)

25. Commitments and contingencies (continued)

Commitments and contingencies (continued)

Letters of credit	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Provision for ECL at 1 January 2020	**343**	**1**	**–**	**344**
New letters of credit	887	–	–	**887**
Expired letters of credit	(299)	(1)	–	**(300)**
Transfers to Stage 1	–	–	–	**–**
Transfers to Stage 2	–	–	–	**–**
Transfers to Stage 3	–	–	–	**–**
Reversal of provision	(231)	–	–	**(231)**
Exchange differences	202	–	–	**202**
31 December 2020	**902**	**–**	**–**	**902**

Financial guarantees	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Provision for ECL at 1 January 2020	**1,841**	**622**	**519**	**2,982**
New financial guarantees	1,583	4,670	–	**6,253**
Expired financial guarantees	(90)	(616)	–	**(706)**
Transfers to Stage 1	540	(51)	(489)	**–**
Transfers to Stage 2	–	–	–	**–**
Transfers to Stage 3	–	(5,084)	5,084	**–**
Charge/(reversal) of provision	(2,143)	4,361	(1,015)	**1,203**
Exchange differences	498	1,124	1,176	**2,798**
31 December 2020	**2,229**	**5,026**	**5,275**	**12,530**

Many of the above credit related commitments may be terminated without being performed partially or in full. Therefore, they do not represent an expected cash outflow. Majority of loan and credit line commitments are not absolute covenants of the Bank.

Capital expenditures

As at 31 December 2021 and 2020, Bank BelVEB OJSC had no capital expenditure commitments.

26. Net fee and commission income

Net fee and commission income comprises:

	2021	*2020*
Settlement transactions	92,837	83,229
Guarantees and letters of credit	12,182	19,258
Operations with securities	279	160
Other	14,255	6,275
Fee and commission income	**119,553**	**108,922**
Settlement transactions	(29,961)	(28,851)
Guarantees and letters of credit	(3,407)	(3,972)
Operations with securities	(182)	(141)
Other	(15,958)	(10,353)
Fee and commission expense	**(49,508)**	**(43,317)**
Net fee and commission income	**70,045**	**65,605**

Revenue from contracts with customers

The Bank's revenue from contracts with customers is mainly presented by fee and commission income. Revenue from contracts with customers recorded in the consolidated statement of profit or loss for the year ended 31 December 2021 amounted to BYN 119,553 thousand (2020: BYN 108,922 thousand).

In 2021, the Bank recognized the following contractual liability related to contracts with buyers/customers in the amount of BYN 2,559 thousand in the consolidated statement of financial position (2020: BYN 3,597 thousand).

(Thousands of Belarusian rubles, unless otherwise indicated)

27. Other income

	2021	*2020*
Collection of debts previously written off	30,346	23,502
Income of subsidiaries from sales of goods / provision of services	14,201	5,980
Insurance income	11,946	8,958
Penalties received	2,388	1,501
Income from revaluation of property and equipment	1,403	–
Dividends	458	448
Other	10,192	2,566
Total other income	**70,934**	**42,955**

28. Personnel and other operating expenses

Personnel expenses, other employee benefits and other operating expenses comprise:

	2021	*2020*
Salaries and bonuses	67,642	55,437
Social security costs	16,925	12,987
Provision for future payments	–	98
Personnel expenses	**84,567**	**68,522**
Data processing	23,540	18,332
Office supplies, maintenance and rent	9,021	6,994
Maintenance of property and equipment	7,699	8,628
Expenses related to outsourced services (process support)	7,690	9,763
Professional services	5,611	1,596
Contributions to the Agency of Deposits Compensation	5,070	6,907
Consultancy and information costs	4,184	1,756
Entertainment	2,758	1,782
Telecommunication services	2,454	2,185
Insurance	1,929	5,149
Loss from disposal of property and equipment, intangible assets and other assets	1,203	1,857
Charity	1,189	572
Transportation of cash	1,187	1,231
Contributions to trade union	1,183	380
Expenses related to material assistance payments to retired employees	826	570
Transportation expenses	711	609
Expenses on pension insurance	409	204
Security	241	663
Other	12,417	6,933
Other operating expenses	**89,322**	**76,111**

As at 31 December 2021, the Bank outsourced stages and functions providing for the Bank's processes as follows: NCFI "INCASS.EXPERT" CJSC is engaged in managing the cash pool of service offices and self-service equipment; Industriya Innovatsii LLC is engaged in collecting bad debts; and BelVEB IT LLC is engaged in supporting the processing services and the banking card servicing.

For the year ended 31 December 2021, the Bank recognized expenses related to short-term leases in the amount of BYN 43 thousand and expenses related to leases of low-value assets in the amount of BYN 124 thousand (2020: expenses related to short-term leases in the amount of BYN 88 thousand and expenses related to leases of low-value assets in the amount of BYN 3,112 thousand).

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing activity and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. The Bank is also subject to operating risks and other non-financial risks (reputation and strategic risks).

Risk management structure

Supervisory Board

The Supervisory Board of Bank BelVEB OJSC ensures the risk management system organization, controls the overall level of risk and the state of risk management system of the Bank, approves the limits system, states risk tolerance, risk-appetite, makes other decisions concerning risk management covering its terms of reference.

Risk Committee of the Supervisory Board

The Risk Committee of the Supervisory Board of Bank BelVEB OJSC provides the qualitative preparation of Supervisory Board decisions under the issues of organization and improvement of risk management system, submits the report to the Supervisory Board about risk management system position and the level of risk of the Bank together with recommendation under the management of the risk at least once a year.

Strategic Planning Committee of the Supervisory Board

The Committee is primarily responsible for providing recommendations to the Supervisory Board for determining the strategic goals of the Bank, as well as its key objectives and priority areas.

Management Board

The Management Board is responsible for organizing the risk management framework and ensuring the Bank's compliance with relevant objectives and goals set by the Supervisory Board of Bank BelVEB OJSC.

Risk Management Officer

Risk management officer is responsible for the risk management system, timely identification, assessment and measures to limit the risks, controlling the risks level and the key risk indicators of the Bank.

Financial Committee

The Financial Committee of the Bank develops and implements the current and long-term asset and liability management policies, including an interest rates policy, a tariff policy, a liquidity risk and liquidity management policy. It manages portfolio interest rate and market risks to ensure operational efficiency. The Committee manages equity and maintains capital adequacy to cover risks.

Large Credit Committee

The Large Credit Committee of Bank BelVEB OJSC provides effective and immediate activities to negotiate credit policy of the Bank, makes decisions within its competence on carrying out active operations.

Small Credit Committee

The Small Credit Committee of Bank BelVEB OJSC makes decisions within its competence on carrying out active operations.

Distressed Assets Committee

The Committee's aim is to ensure efficient management of doubtful and potentially doubtful debt of the Bank.

Operational Risk Committee

The Committee coordinates operational risk management to ensure the Bank's financial stability.

29. Risk management (continued)

Introduction (continued)

Risk Management Department

The Risk Management Department is responsible for independent assessment of banking risks together with methodological and analytical support of risk management process.

Underwriting Department

The Underwriting Department performs an independent assessment of applications for lending transactions with corporate customers and individuals for possible risks.

Treasury

The Bank's Treasury takes part in processes of managing liquidity risk, interest rates risk of the bank portfolio and currency risk.

Audit Committee of the Supervisory Board

The Audit Committee of the Supervisory Board of Bank BelVEB OJSC performs the overall management of internal control system, the Internal Audit Department of the Bank BelVEB OJSC.

Internal Audit Department

The Internal Audit Department assesses the effectiveness of the risk management system, including the verification of the completeness and correctness of the application of the banking risks methods and the process of the Bank risk management, proposes variants of increasing the effectiveness of the Bank risk management during the audit. The Internal Audit Department informs the Audit Committee of the Supervisory Board and the Risk Management Department about the results of the efficiency assessment of the risk management system.

Risk assessment and risk communication systems

The risk assessment is performed by the Bank for each major type of risk.

Together with the standard evaluation methods regarding the determination of regulatory capital adequacy set by the National Bank of the Republic of Belarus and applied to credit, market, operational and liquidity risks, the Bank also uses the following methods of assessment:

- Value-at-Risk (VaR) (currency risk)
- Approach based on the internal credit ratings of the borrower, scoring (credit risk)
- Gap analysis, duration (interest rate risk of the bank portfolio)
- Gap analysis, ratio analysis, the method of analysis of expected cash (payment) flows (liquidity risk)
- Analysis of operational risk implementation facts per risk objects and expert assessment (operational risk).

Risk calculation methods based on key risk indicators that have been developed for significant types of risks (operational, strategic, currency, interest rate, commodity, liquidity and reputational risks).

The Bank performs stress-testing procedures of banking risks, which allow estimating the potential impact of number of shocks, i.e. changes in risk factors representing exceptional but probable events on the Bank's financial performance. Valuation techniques for every type of risks, including their composition and sources used in assessment for each of them, as well as stress-testing methodology, are specified in local normative documents of the Bank relating to management of different risk types. Monitoring and controlling risks is primarily based on the limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept. In addition, the Bank monitors and estimates the overall risk bearing capacity in relation to the aggregate risk exposure across the basic risk types.

Information compiled from all the businesses is examined and processed in order to analyze, control and early identify risks. This information is presented to the Management Board, the Supervisory Board, appropriate committees and to the heads of the departments according to the period defined by the separate local normative documents.

For all levels throughout the Bank, specifically tailored risk reports are prepared and distributed in order to ensure that the Bank's departments have an access to extensive, necessary and up-to-date information.

29. Risk management (continued)

Introduction (continued)

In the reporting period, the Bank changed approaches to the preparation of management reports (focus on decision-making, use of graphic visualization, mainly in the form of presentations).

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Bank actively uses collateral to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to condition changes affecting a particular industry or geographical location. In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Identified concentrations of risks are managed accordingly.

The Bank is subject to a credit risk, it means a risk of loss, failure to obtain the planned revenues because its customers, clients or counterparties failed to discharge their financial and other property obligations stated in contracts or by the legislation of the Republic of Belarus.

Credit risk is the most significant type of the risk for the Bank. Its management, as well as monitoring the quality of loan portfolio is given a special attention.

Credit risk

The Bank manages credit risk by:

- Diversification of duties and responsibilities between representatives and executives bodies, committees, officials and Bank`s departments in sphere of the credit risk management
- Set-up of adequate and appropriate to interests of the Bank system of lending to legal entities and individual entrepreneurs, individuals, the limits setting system for transactions subject to credit risk
- Establishment the unified methodology of credit risk identification and assessment
- Realization of the interest rates policy, that allows to cover a loss and Bank's debt capital cost
- Implementation of qualitative and timely analysis of the state and dynamics loan portfolio, secure functioning thresholds, which characterize the level of credit risk
- Implementation of stress-testing and identification the factors which influence the changes of credit risk level
- Formation of fulfillment of obligations during the active operations
- Creation of the regular and timely system of providing with the information about the level of credit risk to the Superior Credit Committee, the Management Board and the Supervisory Board.

The Bank has established the system of internal ratings of corporate clients, which provides a differentiated assessment of the probability of the debtors default based on the analysis of qualitative and quantitative credit risk factors, their impact on the debtor's ability to maintain and repay the liabilities.

Decisions on separate standard products for individuals are made based on the scoring model of individual solvency assessment developed in the Bank.

To improve quality of the new credit products the Bank working further on the ratings and scoring models. For the purpose of improvement of the reliability and efficiency of the process of credit risk assessment the methods of calculation and assignment of the internal ratings for the legal entities has been developed by the Bank. The scoring card has been amended based on statistical analysis of the issued loans in order to improve the classifying ability and the efficiency of the scoring model.

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Credit risk (continued)

The Bank controls credit risk by setting limits per borrower or group of related borrowers, concentration limits for the 20 largest corporate customers, for industries and others.

Concentration of credit risk limits are approved by the credit policy of the Bank and undergo regular review (at least once a year). Monitoring of these limits is made on a monthly basis as part of the preparation of management reports on the quality of the Bank's loan portfolio.

Covering accepted credit risk is carried out by formation of special allowances. The risk assessment is carried out by the Bank individually for each borrower on the basis of criteria of debtor's ability to meet its obligations, the quality and adequacy of submitted collateral and duration of overdue debt. The Underwriting Department controls the completeness and accuracy of judgment for the classification (reclassification) of assets and contingencies of the corporate clients by their risk groups.

For contingencies the Bank uses the same credit policy as it does for on-balance financial instruments, which is based on transaction approving procedures, procedures of using restricting risk limits, and monitoring procedures.

Credit related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the concluded agreements. They expose the Bank to similar risks to loans and these are mitigated by the same control procedures and the risk control policy.

The carrying amount of the consolidated statement of financial position, including derivative financial instruments, excluding the effect of risk mitigation through the use of master netting and collateral agreements, most accurately reflects the maximum credit risk exposure for these lines. If the financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

More detailed information on the maximum exposure to credit risk for each class of financial instruments is provided in the specific notes.

Impairment assessment

In accordance with IFRS 9, the Bank applies the expected credit losses model to create allowances for ECL. The core principle of the model is timely recognition of deterioration or improvement of the credit quality of financial instruments taking into account current information and forecasts. The amount of expected credit losses recorded as an allowance for ECL is based on the degree of deterioration in the credit quality of the financial instrument after its initial recognition.

As part of an overall approach, the allowance for ECL is accrued based on the following:

- Expected credit losses during the year – for financial instruments, for which there are no factors indicating a significant deterioration in the credit quality after the initial recognition and no impairment indicators
- Expected credit losses during the lifetime of a financial instrument – for financial instruments, for which factors indicating a significant increase in credit risk or impairment indicators were identified.

The key elements of the expected credit losses (ECL) model in accordance with IFRS 9 are as follows:

Probability of default (PD)	The *probability of default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the asset has not been previously derecognized and is still in the portfolio.
Exposure at default (EAD)	The *exposure at default* is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.
Loss given default (LGD)	The *loss given default* is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Credit risk (continued)

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since the initial recognition, otherwise, the allowance is based on 12 months' expected credit losses (12mECL). The 12mECL is the portion of LTECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECL and 12mECL are calculated on either a collective basis (for financial instruments, for which no impairment indicators have been identified (Stage 1 and Stage 2) and for financial instruments related to retail business), or on an individual basis (for financial instruments, for which impairment indicators have been identified (Stage 3)).

The Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the changes in the risk of default occurring over the remaining life of the financial instrument. Based on the above process, the Bank groups its loans as follows:

Stage 1:	When a financial instrument is first recognized, the Bank recognizes an allowance based on 12mECL. Stage 1 also includes financial instruments, for which there are no factors indicating an increase in credit risk and no impairment indicators, and financial instruments, for which credit quality has improved (recovery condition has been met) to reach the level of Stage 1 financial instruments if factors indicating a significant increase in credit risk (Stage 2) were identified at prior reporting dates.
Stage 2:	If there has been a significant increase in credit risk for the loan since its initial recognition, the Bank recognizes an estimated allowance in the amount equal to LTECL. Stage 2 also includes financial instruments, for which credit quality has improved to reach the level of Stage 2 financial instruments if impairment indicators were identified at prior reporting dates (Stage 3).
Stage 3:	Loans considered credit-impaired. The Bank records an allowance for the LTECL.
POCI:	Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired on initial recognition. POCI assets are recorded at fair value at original recognition and interest revenue is subsequently recognized based on a credit-adjusted EIR. The allowance for ECL is only recognized or derecognized to the extent that there is a subsequent change in the lifetime expected credit losses.

Internal rating and PD estimation process

The internal rating models are developed and applied by the Bank's Risk Management Department. The rating model represents a set of rules for customer sampling, obtaining quantitative and qualitative indicators, indicator intervals and points assigned within an interval, weight coefficients for quantitative and qualitative indicators and for total quantitative and qualitative assessments, logistic function coefficients and rating scale.

The rating scale comprises ten rating categories. The first category corresponds to the lowest risk level and the tenth category corresponds to the highest risk level (default). The rating category is determined based on the interval where the customer's PD is located between upper and lower values of the PD range. The tenth category (default) is assigned in case of customer default and based on the results of rating calculation.

The rating model parameters (qualitative and quantitative indicators used to calculate the final rating point, their intervals, assigned points, weight coefficients, logistic function coefficients by group of customers), the indicator that shows whether the government is ready to support the client, and the levels of increase or decrease in customer's rating in case of alerts that indicate deterioration in customer's financial position and that can be used to forecast default or a significant increase in the probability of default, are approved by the Management Board of the Bank based on suggestions of the Risk Management Department and represent restricted information.

Definition of default and recovery of credit quality

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired assets) for ECL calculations in all cases when the borrower becomes more than 90 days past due on its contractual payments. The Bank considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Credit risk (continued)

As part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations. Such events include the following:

- The procedure for default restructuring was initiated and/or implemented.
- The borrower (individual) is deceased.
- The borrower's property is taken to the balance sheet of the Bank to pay off the debt (including a portion of the debt).
- Negative information exists regarding the borrower's ability to fulfill its obligations to the Bank.
- Internal rating of the borrower indicates default or near-default.

In accordance with the Bank's policy and provided that recovery conditions are met, when at least three consecutive payments are made to the Bank to repay the debt in full and in a timely manner continuously in accordance with the contractual terms during at least 12 months when there were no factors indicating a significant increase in credit risk (for the recovery from Stage 2 to Stage 1) or no impairment indicators (for the recovery from Stage 3 to Stage 2), financial instruments can be included in Stage 2 or Stage 1, respectively.

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the customer's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

Loss given default

The credit risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. There is a standard LGD indicator for each quality category of security and internal rating of the counterparty. A 100% LGD is used for financial institutions.

Significant increase in credit risk

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers that there has been a significant increase in credit risk for the financial instrument since its initial recognition, when there is an actual and/or expected decrease in internal rating to 7 and lower for the clients having the internal ratings of 1-5, to 8 and lower for the clients having the internal rating of 6, or a decrease by one or more categories for the clients having the internal ratings 7-9.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming restructured due to credit event. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The class of assets that is used to calculate ECL on an individual basis includes all Stage 3 assets and POCI assets.

Forward-looking information and multiple economic scenarios

In its ECL models, the Bank relies on a broad range of forward-looking information as economic inputs, such as:

- Real GDP growth rate for 12 months, %
- BYN/USD exchange rate
- Average interest rate on loans, %
- Increase in CPI for 12 months, %.

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Credit risk (continued)

The Bank uses the forward-looking information from third party sources (external rating agencies, governmental bodies, central banks, and international financial institutions) and makes a short-term macroeconomic forecast. The results of the macroeconomic forecast are used in the ECL model. Weight coefficients attributable to multiple scenarios are determined using an expert judgment. Each scenario and the respective weight is determined on the basis of an expert judgment within the range of the established scale:

1. Base case, within the range of 0.4-0.8
2. Stressed, within the range of 0.1-0.3
3. Upside, within the range of 0.1-0.3.

The scenario with a minimum weight involves confluence of a series of unlikely and not directly or indirectly connected events that results in a significant decrease in the final probability of the scenario implementation. The scenario with a maximum weight involves information that guarantees the implementation of the scenario described (evidence confirming the commencement of its implementation).

The tables show the values of the key forward-looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Key drivers	*ECL scenario*	*Assigned probability, %*	*Q1 2022*	*Assigned probability, %*	*Q2 2022*	*Assigned probability, %*	*Q3 2022*	*Assigned probability, %*	*Q4 2022*
Real GDP growth rate for 12 months, %			100.3		101.3		100.4		100.7
Average interest rate on loans, %	Base case	0.6	11.5	0.6	12.5	0.6	13.2	0.7	10.0
Increase in CPI for 12 months, %			6.2		8.7		6.50		7.4
BYN/USD exchange rate			2.7		2.65		2.67		2.70
Real GDP growth rate for 12 months, %			101.8		101.8		102.0		102.9
Average interest rate on loans, %	Stressed	0.3	10.0	0.3	10.0	0.3	9.0	0.2	8.0
Increase in CPI for 12 months, %			5.0		5.0		4.0		6.0
BYN/USD exchange rate			2.50		2.53		2.4		2.70
Real GDP growth rate for 12 months, %			98.0		99.0		97.5		98.0
Average interest rate on loans, %	Upside	0.1	13.2	0.1	13.0	0.1	13.9	0.1	14.0
Increase in CPI for 12 months, %			4.5		7.0		11.5		10.0
BYN/USD exchange rate			3.0		2.90		2.70		2.80

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank using internal credit ratings. The grade is assigned based on the probability of default.

The Bank uses the following quality categories for financial assets.

Minimal estimated PD	*Maximum estimated PD*	*Quality scale*
0.00%	0.70%	High grade
0.70%	8.20%	Standard grade
8.20%	33.00%	Substandard grade
33.00%	100.00%	Low grade

The table below shows the credit quality by class of assets for loan-related lines in the consolidated statement of financial position, based on the Bank's credit grading system. The gross carrying amount was calculated in accordance with IFRS 9 at 31 December 2021 based on the Bank's credit grading system.

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Credit risk (continued)

	Note	*Stage*		*High grade*	*Standard grade*	*Substandard grade*	*Low grade*	*Total*
Cash and cash equivalents	6	Stage	1	**1,216,063**	**–**	**–**	**–**	**1,216,063**
Amounts due from credit institutions	8							
		Stage	1	36,218	–	–	–	**36,218**
		Stage	2	5,935	–	–	–	**5,935**
Total amounts due from credit institutions at amortized cost				**42,153**	**–**	**–**	**–**	**42,153**
Investment securities	11							
Debt securities at FVOCI		Stage	1	10,875	516,540	–	–	**527,415**
		Stage	2	–	104,029	–	–	**104,029**
Total investment securities				**10,875**	**620,569**	**–**	**–**	**631,444**
Loans to customers at amortized cost	10							
Corporate lending								
		Stage	1	11,558	616,829	88,805	–	**717,192**
		Stage	2	–	566,769	389,639	–	**956,408**
		Stage	3	–	–	94,093	177,924	**272,017**
Small and medium business lending								
		Stage	1	88,217	478,818	88,233	–	**655,268**
		Stage	2	8,793	85,775	31,012	–	**125,580**
		Stage	3	–	276	408	90,892	**91,576**
			POCI	–	–	–	5,182	**5,182**
Consumer lending								
		Stage	1	287	215,294	31,511	3,432	**250,524**
		Stage	2	–	63	31	2,212	**2,306**
		Stage	3	–	–	–	2,887	**2,887**
Residential mortgages								
		Stage	1	357	125,521	–	685	**126,563**
		Stage	2	–	2	–	223	**225**
		Stage	3	–	–	–	2	**2**
Total loans to customers at amortized cost				**109,212**	**2,089,347**	**723,732**	**283,439**	**3,205,730**
Credit related commitments and contingencies	25							
Undrawn loan commitments		Stage	1	87,013	407,397	10,110	12	**504,532**
		Stage	2	20,179	151,388	2,232	13	**173,812**
		Stage	3	–	1	1	584	**586**
Letters of credit		Stage	1	8,182	22,504	438	–	**31,124**
		Stage	2	–	68,935	–	–	**68,935**
		Stage	3	–	–	–	–	**–**
Guarantees		Stage	1	35,428	206,971	21,068	–	**263,467**
		Stage	2	7,127	38,951	1,090	–	**47,168**
		Stage	3	–	–	–	2,221	**2,221**
Total credit related commitments and contingencies				**157,929**	**896,147**	**34,939**	**2,830**	**1,091,845**

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Credit risk (continued)

The table below shows the credit quality by class of assets for loan-related lines in the consolidated statement of financial position, based on the Bank's credit grading system. The gross carrying amount was calculated in accordance with IFRS 9 at 31 December 2020 based on the Bank's credit grading system.

	Note	*Stage*		*High grade*	*Standard grade*	*Substandard grade*	*Low grade*	*Total*
Cash and cash equivalents	6	Stage	1	**755,463**	**–**	**–**	**–**	**755,463**
Amounts due from credit institutions	8							
		Stage	1	54,392	–	–	–	**54,392**
		Stage	2	–	–	–	–	**–**
		Stage	3	–	–	–	–	**–**
Total amounts due from credit institutions				**54,392**	**–**	**–**	**–**	**54,392**
Investment securities	11							
Debt securities at FVOCI		Stage	1	–	518,687	–	–	**518,687**
		Stage	2	–	–	–	–	**–**
		Stage	3	–	–	–	–	**–**
Total investment securities				**–**	**518,687**	**–**	**–**	**518,687**
Loans to customers at amortized cost	10							
Corporate lending								
		Stage	1	659,937	923,404	818	–	**1,584,159**
		Stage	2	2,685	716,591	13,219	–	**732,495**
		Stage	3	–	–	38,684	148,651	**187,335**
			POCI	–	–	–	28,975	**28,975**
Small and medium business lending								
		Stage	1	274,431	377,593	30,058	–	**682,082**
		Stage	2	837	14,701	142	–	**15,680**
		Stage	3	440	15,859	66,822	6,924	**90,045**
			POCI	–	–	–	2,505	**2,505**
Consumer lending								
		Stage	1	263,302	–	–	3,489	**266,791**
		Stage	2	2,141	–	–	5,593	**7,734**
		Stage	3	–	–	–	13,272	**13,272**
			POCI	–	–	–	–	**–**
Residential mortgages								
		Stage	1	115,268	–	–	80	**115,348**
		Stage	2	229	–	–	311	**540**
		Stage	3	1	–	–	21	**22**
			POCI	–	–	–	–	**–**
Total loans to customers at amortized cost				**1,319,271**	**2,048,148**	**149,743**	**209,821**	**3,726,983**
Credit related commitments and contingencies	25							
Undrawn loan commitments		Stage	1	109,885	103,950	–	–	**213,835**
		Stage	2	4	9	6,710	–	**6,723**
		Stage	3	46	15	–	54	**115**
Letters of credit		Stage	1	111,084	65119	–	–	**176,203**
		Stage	2	–	–	–	–	**–**
		Stage	3	–	–	–	–	**–**
Guarantees		Stage	1	159,703	93,186	20,988	407	**274,284**
		Stage	2	–	1,345	14,871	–	**16,216**
		Stage	3	–	–	–	113,214	**113,214**
Total credit related commitments and contingencies				**380,722**	**263,624**	**42,569**	**113,675**	**800,590**

An analysis of past due loans, by age, is provided below. The majority of past due loans are not considered to be impaired.

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Credit risk (continued)

Aging analysis of past due but not impaired loans by class of financial assets less allowance for ECL

	Less than 30 days 2021	*31 to 60 days 2021*	*61 to 90 days 2021*	*Total 2021*
Loans to customers				
Corporate lending	–	–	–	**–**
Residential mortgages	417	4	63	**484**
Consumer lending	2,835	595	369	**3,799**
Small and medium business lending	1,026	905	442	**2,373**
Total	**4,278**	**1,504**	**874**	**6,656**

	Less than 30 days 2020	*31 to 60 days 2020*	*61 to 90 days 2020*	*Total 2020*
Loans to customers				
Corporate lending	1,323	–	–	**1,323**
Residential mortgages	281	129	–	**410**
Consumer lending	5,579	1,910	1,689	**9,178**
Small and medium business lending	647	267	462	**1,376**
Total	**7,830**	**2,306**	**2,151**	**12,287**

There are no loans that are more than 90 days past due but not impaired.

See Note 10 for information with respect to the allowance for ECL on loans to customers.

Financial guarantees and letters of credit are also tested for impairment and an allowance is made in a similar manner as for loans.

The geographical concentration of the Bank's financial assets and liabilities is set out below (less provisions):

	2021				*2020*			
	Belarus	*OECD*	*CIS and other foreign banks*	*Total*	*Belarus*	*OECD*	*CIS and other foreign banks*	*Total*
Assets								
Cash and cash equivalents	659,292	317,503	306,729	**1,283,524**	642,856	55,491	138,600	**836,947**
Trading securities	1,801	3,839	–	**5,640**	–	–	–	**–**
Amounts due from credit institutions	32,959	5,065	3,854	**41,878**	43,084	1,210	9,663	**53,957**
Loans to customers	2,966,970	557	–	**2,967,527**	3,538,970	4,573	129	**3,543,672**
Investment securities	631,444	–	–	**631,444**	518,687	–	–	**518,687**
Derivative financial assets	–	–	2,180	**2,180**	32	–	–	**32**
Other financial assets	3,129	–	–	**3,129**	1,967	–	–	**1,967**
	4,295,595	**326,964**	**312,763**	**4,935,322**	**4,745,596**	**61,274**	**148,392**	**4,955,262**
Liabilities								
Amounts due to credit institutions	358,955	86,530	1,068,306	**1,513,791**	140,705	113,734	1,153,859	**1,408,298**
Amounts due to the National Bank of the Republic of Belarus	37,452	–	–	**37,452**	26	–	–	**26**
Amounts due to customers	2,367,729	19,274	79,812	**2,466,815**	2,368,756	123,716	107,826	**2,600,298**
Derivative financial liabilities	20	–	265	**285**	25	–	7,835	**7,860**
Debt securities issued	113,123	–	–	**113,123**	78,457	–	–	**78,457**
Lease liabilities	13,337	–	–	**13,337**	11,853	–	–	**11,853**
Other financial liabilities	19,178	–	–	**19,178**	15,735	–	–	**15,735**
Subordinated debt	–	–	253,455	**253,455**	–	–	257,467	**257,467**
	2,909,794	**105,804**	**1,401,838**	**4,417,436**	**2,615,557**	**237,450**	**1,526,987**	**4,379,994**
Net assets and liabilities position	**1,385,801**	**221,160**	**(1,089,075)**	**517,886**	**2,130,039**	**(176,176)**	**(1,378,595)**	**575,268**

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the probability of the losses, failure to obtain the planned revenues due to the inability to ensure the timely performance of the obligations in full.

Liquidity risk management process includes identification, measurement (assessment) and stress testing, limitation, monitoring and control of the liquidity risk, a system of key indicators, financing plans in crises, the disclosure of liquidity risk.

The Bank has developed a number of documents which regulate issues of liquidity risk management and liquidity position, management define goals, objectives, principles and methods of management, the division of responsibility between departments and procedures of interaction between them on liquidity risk management and liquidity position.

The liquidity risk is managed and controlled by the Supervisory Board, the Risk Committee of the Supervisory Board, the Management Board, the Financial Committee, the official responsible for risk management at Bank BelVEB OJSC, the Risk Management Department, the Treasury, the Department of Operations in the Financial Markets, the Finance and Economic Department and the Internal Audit Department.

Bank BelVEB OJSC performs daily monitoring of the implementation of regulations set by the National Bank of the Republic of Belarus, local liquidity risk limits, prepares a management report on liquidity risk.

The Bank takes into account the interaction between the risk of funding liquidity and market liquidity risk, which it is exposed, and provides a comprehensive assessment of the liquidity risk that includes an analysis of the balance sheet structure, cash flow forecasting, in all material balance and off-balance positions and activities both under normal conditions and in stressful situations.

The Bank uses payment calendars to manage its current liquidity position. To monitor the risk of loss of liquidity, the Bank monitors the limits of liquidity deficit as well as the key indicators of liquidity risk.

The assets and liabilities formation is based on the principle of diversification of sources and destinations, the volume and terms of attraction and allocation. The main external sources of financing are the resources of the parent bank − the State Development Corporation VEB.RF.

Maintaining funding sources and increase in the resource base of the Bank is provided by improving the quality of customer service, offering new products, providing more flexible conditions of deposit contracts.

The Bank maintains a sufficient liquidity to meet all the requirements of the National Bank of the Republic of Belarus and perform its obligations to clients in a timely manner.

The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on certain liquidity ratios established by the National Bank of the Republic of Belarus. As at 31 December, these ratios were as follows:

	Minimum value	***2021***	***2020***
Liquidity coverage ratio	Min. 100%	140.8%	107.8%
Net stable funding ratio	Min. 100%	117.9%	117.6%

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Bank's financial liabilities as at 31 December based on contractual undiscounted repayment obligations. Exception is made for derivatives settled through delivery of their underlying asset which are shown by amounts payable and receivable and contractual maturity. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay. The table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial liabilities at 31 December 2021	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to credit institutions	1,168,517	355,358	52,193	16	**1,576,084**
Amounts due to the National Bank of the Republic of Belarus	16,826	21,395	–	–	**38,221**
Gross settled derivative financial instruments:					
- contractual amounts receivable	(251,370)	(88,850)	–	–	**(340,220)**
- contractual amounts payable	251,257	86,478	–	–	**337,735**
Amounts due to customers	1,478,413	841,753	164,566	11,476	**2,496,208**
Debt securities issued	1,180	66,193	58,240	–	**125,613**
Other liabilities	17,450	386	1,047	295	**19,178**
Lease liabilities	1,359	3,485	7,875	1,008	**13,727**
Subordinated debt	795	12,212	170,662	128,430	**312,099**
Total undiscounted financial liabilities	**2,684,427**	**1,298,410**	**454,583**	**141,225**	**4,578,645**

Financial liabilities at 31 December 2020	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to credit institutions	824,397	363,436	246,710	3,023	**1,437,566**
Amounts due to the National Bank of the Republic of Belarus	26	–	–	–	**26**
Gross settled derivative financial instruments:					
- contractual amounts receivable	(232,226)	(91,363)	–	–	**(323,589)**
- contractual amounts payable	235,542	95,040	–	–	**330,582**
Amounts due to customers	1,680,523	654,273	289,961	2,433	**2,627,190**
Debt securities issued	5,262	51,784	30,137	–	**87,183**
Other liabilities	18,415	3,219	1,150	429	**23,213**
Lease liabilities	1,450	3,105	7,323	399	**12,277**
Subordinated debt	–	91,793	199,480	–	**291,273**
Total undiscounted financial liabilities	**2,533,389**	**1,171,287**	**774,761**	**6,284**	**4,485,721**

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

	Less than 3 months	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
2021	409,463	121,598	519,467	41,317	**1,091,845**
2020	414,744	155,111	159,667	71,068	**800,590**

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

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in "less than 3 months" in the tables above.

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Market risk

Market risk is the risk of loss resulting from changes in value of on- and off-balance sheet positions related to the trade portfolio, foreign currency denominated positions and commodities due to changes in market interest rates, exchange rates, securities quotations, commodity prices and other factors.

The Bank is exposed to market risks due to the effect of general or specific market changes on its products. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing appropriate limits on the tolerable loss. With the exception of foreign currency positions, the Bank has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Bank has developed a number of documents which in generally organizes risk management process. The Financial Committee determines process of resource attraction and placement based on monitoring of the corresponding sectors in the banking sector.

Treasury performs analysis of volume-time structure of the Bank's balance and interest rate levels in the context of risk management process. Risk Management Departments performs independent assessment of the Bank's exposure to interest rate risk and stress testing of risk tolerance.

The following table demonstrates the sensitivity to reasonable possible changes in interest rates, with all other variables held constant, of the Bank's consolidated statement of profit or loss. The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held as at 31 December. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets as at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	*Increase in basis points 2021*	*Sensitivity of profit or loss 2021*	*Sensitivity of equity less effect on profit or loss 2021*
BYN	+400	9,235	–
USD	+125	1,655	(14,812)
EUR	+20	273	(269)

Currency	*Decrease in basis points 2021*	*Sensitivity of profit or loss 2021*	*Sensitivity of equity less effect on profit or loss 2021*
BYN	-200	(4,618)	–
USD	-25	(331)	3,129
EUR	-20	(273)	270

Currency	*Increase in basis points 2020*	*Sensitivity of profit or loss 2020*	*Sensitivity of equity less effect on profit or loss 2020*
BYN	+500	13	–
USD	+100	48	(5,612)
EUR	+20	530	(538)

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Market risk (continued)

Currency	*Decrease in basis points 2020*	*Sensitivity of profit or loss 2020*	*Sensitivity of equity less effect on profit or loss 2020*
BYN	-50	(1)	–
USD	-25	(12)	1,457
EUR	-20	(530)	543

Currency risk

Currency risk is the risk of loss resulting from changes in value of on- and off-balance sheet positions nominated in foreign currency, due to the exchange rate changes. The Bank`s positions in precious metals as bank bars are also exposed to currency risk.

Currency risk management system of the Bank provides for the following:

- Distributing the responsibilities of currency risk management
- Regulating the methods of assessment and stress-testing of currency risk
- Preparing daily management reports on currency risk
- Setting and controlling position and risk limits and other key indicators to restrict the level of risk.

The table below indicates the currencies to which the Bank had significant exposure as at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the ruble, with all other variables held constant, on the consolidated statement of profit or loss. The effect on equity does not differ from the effect on the consolidated statement of profit or loss. All other variables are held constant. A negative amount in the table reflects a potential net reduction in the consolidated statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	*Change in currency rate, % 2021*	*Effect on profit before tax 2021*	*Change in currency rate, % 2020*	*Effect on profit before tax 2020*
USD	+22	5,697	+25	1,152
EUR	+22	3,352	+25	3,498
RUB	+14	1,962	+15	2,793

Currency	*Change in currency rate, % 2021*	*Effect on profit before tax 2021*	*Change in currency rate, % 2020*	*Effect on profit before tax 2020*
USD	+4	1,036	+5	230
EUR	+4	609	+5	700
RUB	-14	(1,962)	-15	(2,793)

Prepayment risk

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

The management of the Bank believes that the realization of the prepayment risk will not have a material effect on the Bank.

Operational risk

Operational risk is the risk of loss arising from inconsistency of the Bank's local documents of execution banking transactions and operations to the legislation of the Republic of Belarus, or its breach by the employees, incompetence or errors of the Bank's employees, discrepancy or failure the system used by the Bank including information systems, and as result of external factors.

(Thousands of Belarusian rubles, unless otherwise indicated)

29. Risk management (continued)

Operational risk (continued)

The Bank has established and maintained a comprehensive centralized operational risk management system, which provides for an effective methodology of operational risk management, risk assessment, monitoring, control and restriction of operational risk in accordance with the local documents of the Bank.

Operational risk management functions are fixed at the level of the Bank's management, collegiate bodies, departments and responsible persons.

To manage the operational risk, the Bank is maintaining the database of realization of the facts of operational risk. Recommendations for optimization of the business process are generated using this database.

The Bank cannot expect to eliminate all operational risks, but a control framework and monitoring and responding to potential risks could be effective tools to manage the risks.

30. Fair value measurement

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

		Fair value measurement using			
31 December 2021	***Date of valuation***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets measured at fair value					
Correspondent accounts in precious metals	31 December 2021	3,168	–	–	**3,168**
Trading securities	31 December 2021	–	5,640	–	**5,640**
Investment securities — debt securities at FVOCI	31 December 2021	–	293,824	337,132	**630,956**
Investment securities — equity securities at FVOCI	31 December 2021	–	–	488	**488**
Loans to customers at FVPL	31 December 2021	–	–	20,794	**20,794**
Property and equipment − buildings	31 December 2021			27,140	**27,140**
Derivative financial assets	31 December 2021	–	2,180	–	**2,180**
		3,168	**301,644**	**385,554**	**690,366**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2021	1,283,524	–	–	**1,283,524**
Amounts due from credit institutions	31 December 2021	–	38,484	–	**38,484**
Loans to customers	31 December 2021	–	–	2,866,743	**2,866,743**
		1,283,524	**38,484**	**2,866,743**	**4,188,751**

		Fair value measurement using			
31 December 2021	***Date of valuation***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Liabilities measured at fair value	31 December 2021				
Derivative financial liabilities	31 December 2021	–	285	–	**285**
Clients' current accounts in precious metals	31 December 2021	543	–	–	**543**
		543	**285**	**–**	**828**
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2021	–	339,636	1,174,091	**1,513,727**
Amounts due to the National Bank of the Republic of Belarus	31 December 2021	–	–	37,723	**37,723**
Amounts due to customers	31 December 2021	–	631,073	1,830,716	**2,461,789**
Debt securities issued	31 December 2021	–	–	105,307	**105,307**
Subordinated debt	31 December 2021	–	–	252,702	**252,702**
		–	**970,709**	**3,400,539**	**4,371,248**

(Thousands of Belarusian rubles, unless otherwise indicated)

30. Fair value measurement (continued)

		Fair value measurement using			
31 December 2020	***Date of valuation***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Assets measured at fair value					
Precious metals	31 December 2020	21	–	–	**21**
Correspondent accounts in precious metals	31 December 2020	3,297	–	–	**3,297**
Investment securities — debt securities at FVOCI	31 December 2020	–	518,199	–	**518,199**
Investment securities — equity securities at FVOCI	31 December 2020	–	–	488	**488**
Loans to customers at FVPL	31 December 2020	–	–	35,999	**35,999**
Property and equipment − buildings	31 December 2020	–	–	26,924	**26,924**
Derivative financial assets	31 December 2020	–	32	–	**32**
		3,318	**518,231**	**63,411**	**584,960**
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2020	836,947	–	–	**836,947**
Amounts due from credit institutions	31 December 2020	–	53,957	–	**53,957**
Loans to customers	31 December 2020	–	–	3,532,509	**3,532,509**
		836,947	**53,957**	**3,532,509**	**4,423,413**

		Fair value measurement using			
31 December 2020	***Date of valuation***	***Quoted prices in active markets (Level 1)***	***Significant observable inputs (Level 2)***	***Significant unobservable inputs (Level 3)***	***Total***
Liabilities measured at fair value	31 December 2020				
Derivative financial liabilities	31 December 2020	–	7,860	–	**7,860**
Clients' current accounts in precious metals	31 December 2020	672	–	–	**672**
		672	**7,860**	**–**	**8,532**
Liabilities for which fair values are disclosed					
Amounts due to credit institutions	31 December 2020	–	105,254	1,309,108	**1,414,362**
Amounts due to the National Bank of the Republic of Belarus	31 December 2020	–	–	26	**26**
Amounts due to customers	31 December 2020	–	705,106	1,895,676	**2,600,782**
Debt securities issued	31 December 2020	–	–	78,457	**78,457**
Subordinated debt	31 December 2020	–	–	256,771	**256,771**
		–	**810,360**	**3,540,038**	**4,350,398**

(Thousands of Belarusian rubles, unless otherwise indicated)

30. Fair value measurement (continued)

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

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying amount 2021	*Fair value 2021*	*Unrecognized gain/loss 2021*	*Carrying amount 2020*	*Fair value 2020*	*Unrecognized gain/loss 2020*
Financial assets						
Cash and cash equivalents	1,283,524	1,283,524	–	836,947	836,947	–
Precious metals	–	–	–	21	21	–
Amounts due from credit institutions	38,710	38,484	(226)	53,957	54,003	46
Loans to customers	2,946,733	2,866,743	(79,990)	3,507,673	3,532,509	24,836
Financial liabilities						
Amounts due to credit institutions	1,513,791	1,513,727	64	1,408,272	1,414,336	(6,064)
Amounts due to the National Bank of the Republic of Belarus	37,452	37,723	(271)	26	26	–
Amounts due to customers	2,466,815	2,462,332	4,483	2,600,298	2,600,782	(484)
Debt securities issued	113,123	105,307	7,816	78,457	78,553	(96)
Subordinated debt	253,455	252,702	753	257,467	256,771	696
Total unrecognized change in unrealized fair value			**(67,371)**			**18,934**

Valuation techniques and assumptions

The following describes the methods and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates their carrying amount

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months), it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and current (settlement) accounts without a specific maturity.

Financial assets and financial liabilities carried at amortized cost

Fair value of quoted bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the National Bank of the Republic of Belarus and credit institutions and other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Financial assets carried at fair value through profit or loss

The fair value of financial instruments is the present value of all future (expected) cash flows under this instrument at the date of its origination and/or at the reporting date discounted with the market interest rate for this comparable/similar financial instrument.

The market interest rate for this financial instrument or other comparable/similar financial instruments is determined on the basis of available internal and external sources of information depending on the type and nature of a financial instrument.

In 2021, the fair value of debt securities was measured taking into account the income tax benefit and the benefit related to the obligatory reserve fund, the effect of which amounted to BYN 37,482 thousand. Therefore, investment securities – debt securities at FVOCI where the above benefits were applied to the discount rate – were transferred to Level 3 of the hierarchy.

(Thousands of Belarusian rubles, unless otherwise indicated)

30. Fair value measurement (continued)

Movements in Level 3 assets and liabilities at fair value

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

	1 January 2021	*Gains / (losses) recognized in the consolidated statement of profit or loss*	*Gains / (losses) recorded in other comprehensive income*	*Additions / transfers between hierarchy levels*	*Disposals*	*Depreciation charge*	*31 December 2021*
Assets							
Investment securities — debt securities at FVOCI	–	–	–	337,132	–	–	337,132
Investment securities − equity securities at FVOCI	488	–	–	–	–	–	488
Loans to customers at FVPL	35,999	(13,197)	–	–	(2,008)	–	20,794
Property and equipment − buildings	26,924	1,403	702	302	(1,914)	(277)	27,140
Total Level 3 assets	**63,411**	**(11,794)**	**702**	**337,434**	**(3,922)**	**(277)**	**385,554**

	1 January 2020	*Gains recognized in the consolidated statement of profit or loss*	*Gains recognized in other comprehensive income*	*Additions*	*Disposals*	*Depreciation charge*	*31 December 2020*
Assets							
Investment securities − equity securities at FVOCI	488	–	–	–	–	–	488
Loans to customers at FVPL	44,829	5,061	–	–	(13,891)	–	35,999
Property and equipment − buildings	24,791	–	–	2,406	–	(273)	26,924
Total Level 3 assets	**70,108**	**5,061**	**–**	**2,406**	**(13,891)**	**(273)**	**63,411**

During the year ended 31 December 2021, based on the information about significant unobservable inputs, the Bank transferred the investment securities – debt securities at FVOCI in the amount of BYN 337,132 thousand – between Levels 2 and 3 of the fair value hierarchy. The securities were transferred as a result of the application of the income tax benefit and the benefit related to the obligatory reserve fund, which led to adjustments to observable inputs.

Gains or losses on Level 3 financial instruments included in the consolidated profit or loss for the period comprise:

	2021			*2020*		
	Realized gains/(losses)	*Unrealized gains/(losses)*	*Total*	*Realized gains/(losses)*	*Unrealized gains/(losses)*	*Total*
Total losses recognized in the consolidated statement of profit or loss	(28,563)	41,760	**13,197**	693	4,368	**5,061**

(Thousands of Belarusian rubles, unless otherwise indicated)

30. Fair value measurement (continued)

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

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

31 December 2021	*Carrying amount*	*Valuation techniques*	*Unobservable inputs*	*Range (weighted average value)*
Loans to customers at FVPL	20,794	Cost is determined using the discounting method on the basis of market interest rates	Discount rate	12.5-14.5
Investment securities at FVOCI				
Debt securities	337,132	Cost is determined using the cash flow discounting method on the basis of market risk-free rates	Discount rate	Not applicable
Equity securities	488	Cost is determined as the cost of investments using appropriate indices	Price of most recent transaction	Not applicable
Property and equipment				
Buildings	27,140	Cost is determined by an appraiser using the method of comparing sales and capitalization rate of return	Discount for sale	Not applicable
	385,554			

The impact of possible alternative assumptions on measuring the fair value of Level 3 instruments is insignificant.

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

	31 December 2021		*31 December 2020*	
	Carrying amount	*Effect of reasonably possible alternative assumptions*	*Carrying amount*	*Effect of reasonably possible alternative assumptions*
Financial assets				
Loans to customers at FVPL	20,794	from 2,002 to 4,002	35,999	from (468) to 1,020

Decrease/increase in discount rate (from 13.7% to 16.4%) can result in an increase/ decrease in the fair value of loans to customers at FVPL specified in the table (2020: from 11.7% to 15.7%).

(Thousands of Belarusian rubles, unless otherwise indicated)

31. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled based on contractual terms. See Note 29 "Risk management" for the Bank's contractual undiscounted repayment obligations.

	On demand and within 1 month	*1 to 6 months*	*6 to 12 months*	*Total within 1 year*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Total over 1 year*	*No stated maturity*	*Past due*	*Total*
31 December 2021											
Assets											
Cash and cash equivalents	1,283,524	–	–	**1,283,524**	–	–	–	**–**	–	–	**1,283,524**
Trading securities	–	–	–	**–**	–	–	–	**–**	5,640	–	**5,640**
Amounts due from credit institutions	38,134	1,285	2,459	**41,878**	–	–	–	**–**	–	–	**41,878**
Derivative financial assets	106	159	1,915	**2,180**	–	–	–	**–**	–	–	**2,180**
Loans to customers	340,178	1,331,999	363,081	**2,035,258**	553,710	199,922	160,334	**913,966**	–	18,303	**2,967,527**
Investment securities	3,996	5,705	25,177	**34,878**	192,814	47,673	355,591	**596,078**	488	–	**631,444**
Investments in associates and jointly controlled entities	–	–	–	**–**	–	–	–	**–**	7,209	–	**7,209**
Property and equipment	–	–	–	**–**	–	–	–	**–**	63,763	–	**63,763**
Right-of-use assets	–	–	–	**–**	–	–	–	**–**	14,437	–	**14,437**
Intangible assets	–	–	–	**–**	–	–	–	**–**	45,396	–	**45,396**
Income tax assets:											
- current income tax asset	–	3,400	–	**3,400**	–	–	–	**–**	–	–	**3,400**
Other assets	15,970	4,220	5,312	**25,502**	7,855	3,095	554	**11,504**	4,993	294	**42,293**
Total assets	**1,681,908**	**1,346,768**	**397,944**	**3,426,620**	**754,379**	**250,690**	**516,479**	**1,521,548**	**141,926**	**18,597**	**5,108,691**
Liabilities											
Amounts due to credit institutions	703,377	638,409	105,359	**1,447,145**	60,284	6,362	–	**66,646**	–	–	**1,513,791**
Amounts due to the National Bank of the Republic of Belarus	7,957	29,469	–	**37,426**	–	–	–	**–**	26	–	**37,452**
Derivative financial liabilities	285	–	–	**285**	–	–	–	**–**	–	–	**285**
Amounts due to customers	982,505	1,040,300	277,835	**2,300,640**	150,443	5,427	10,305	**166,175**	–	–	**2,466,815**
Debt securities issued	29	4,080	59,878	**63,987**	640	48,496	–	**49,136**	–	–	**113,123**
Lease liability	525	2,205	2,310	**5,040**	5,865	1,594	838	**8,297**	–	–	**13,337**
Income tax liabilities:											
- current income tax liabilities	–	3,154	–	**3,154**	–	–	–	**–**	–	–	**3,154**
- deferred income tax liabilities	–	–	–	**–**	–	–	–	**–**	13,442	–	**13,442**
Other liabilities	47,572	3,829	783	**52,184**	927	120	295	**1,342**	10,137	–	**63,663**
Subordinated debt	854	4,264	4,794	**9,912**	147,525	8,229	87,789	**243,543**	–	–	**253,455**
Total liabilities	**1,743,104**	**1,725,710**	**450,959**	**3,919,773**	**365,684**	**70,228**	**99,227**	**535,139**	**23,605**	**–**	**4,478,517**
Net position	**(61,196)**	**(378,942)**	**(53,015)**	**(493,153)**	**388,695**	**180,462**	**417,252**	**986,409**	**118,321**	**18,597**	**630,174**

(Thousands of Belarusian rubles, unless otherwise indicated)

31. Maturity analysis of assets and liabilities (continued)

	On demand and within 1 month	*1 to 6 months*	*6 to 12 months*	*Total within 1 year*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Total over 1 year*	*No stated maturity*	*Past due*	*Total*
31 December 2020											
Assets											
Cash and cash equivalents	836,947	–	–	**836,947**	–	–	–	–	–	–	**836,947**
Precious metals	21	–	–	**21**	–	–	–	–	–	–	**21**
Amounts due from credit institutions	49,581	317	4,059	**53,957**	–	–	–	–	–	–	**53,957**
Derivative financial assets	32	–	–	**32**	–	–	–	–	–	–	**32**
Loans to customers	215,654	1,514,378	549,731	**2,279,763**	770,043	271,562	193,621	**1,235,226**	–	28,683	**3,543,672**
Investment securities	465	12,018	9,838	**22,321**	91,612	178,011	226,255	**495,878**	488	–	**518,687**
Investments in associates and jointly controlled entities	–	–	–	–	–	–	–	–	2,546	–	**2,546**
Property and equipment	–	–	–	–	–	–	–	–	53,599	–	**53,599**
Right-of-use assets	–	–	–	–	–	–	–	–	10,405	–	**10,405**
Intangible assets	–	–	–	–	–	–	–	–	40,520	–	**40,520**
Income tax assets:											
- current income tax asset	–	436	–	**436**	–	–	–	–	–	–	**436**
Other assets	17,927	6,111	1,471	**25,509**	1,712	630	555	**2,897**	3,074	752	**32,232**
Total assets	**1,120,627**	**1,533,260**	**565,099**	**3,218,986**	**863,367**	**450,203**	**420,431**	**1,734,001**	**110,632**	**29,435**	**5,093,054**
Liabilities											
Amounts due to credit institutions	209,108	809,039	152,368	**1,170,515**	214,188	21,962	1,633	**237,783**	–	–	**1,408,298**
Amounts due to the National Bank of the Republic of Belarus	–	–	–	–	–	–	–	–	26	–	**26**
Derivative financial liabilities	437	3,093	4,330	**7,860**	–	–	–	–	–	–	**7,860**
Amounts due to customers	1,114,836	884,917	320,240	**2,319,993**	276,048	2,265	1,992	**280,305**	–	–	**2,600,298**
Debt securities issued	944	4,415	49,054	**54,413**	24,044	–	–	**24,044**	–	–	**78,457**
Lease liability	709	1,844	2,030	**4,583**	5,536	1,482	252	**7,270**	–	–	**11,853**
Income tax liabilities:											
- current income tax liabilities	–	155	–	**155**	–	–	–	–	–	–	**155**
- deferred income tax liabilities	–	–	–	–	–	–	–	–	16,918	–	**16,918**
Other liabilities	44,606	3,821	2,416	**50,843**	755	395	429	**1,579**	–	5,534	**57,956**
Subordinated debt	–	2,537	81,688	**84,225**	140,706	32,536	–	**173,242**	–	–	**257,467**
Total liabilities	**1,370,640**	**1,709,821**	**612,126**	**3,692,587**	**661,277**	**58,640**	**4,306**	**724,223**	**16,944**	**5,534**	**4,439,288**
Net position	**(250,013)**	**(176,561)**	**(47,027)**	**(473,601)**	**202,090**	**391,563**	**416,125**	**1,009,778**	**93,688**	**23,901**	**653,766**

32. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

In the ordinary course of business, the Bank effects transactions with the entities that are ultimately controlled by the Russian Government. The balances of transactions with such entities at the reporting date comprised balances on correspondent accounts and loans from credit institutions.

The “Other related parties” item includes subsidiaries of VEB.RF parent bank.

(Thousands of Belarusian rubles, unless otherwise indicated)

32. Related party disclosures (continued)

Transactions with other related parties, including VEB.RF group of companies

The outstanding balances of transactions with other related parties at the end of the reporting period are as follows:

	2021					*2020*				
	Parent	*Entities under common control of RF*	*Associates and jointly controlled entities*	*Key management personnel*	*Other related parties*	*Parent*	*Entities under common control of RF*	*Associates*	*Key management personnel*	*Other related parties*
Cash and cash equivalents	59,515	–	–	–	45	1,065	–	–	–	456
Derivative financial instruments (asset)	159	–	–	–	–	–	–	–	–	–
Loans at 1 January	**–**	**–**	**35,999**	**3,100**	**–**	**–**	**–**	**44,781**	**1,591**	**–**
Loans issued during the year	–	–	764	1,607	–	–	–	–	2,052	–
Loans repaid during the year	–	–	(2,168)	(1,210)	–	–	–	(13,891)	(719)	–
Other changes	–	–	(13,318)	(410)	–	–	–	5,061	298	–
Loans outstanding at 31 December	**–**	**–**	**21,277**	**3,087**	**–**	**–**	**–**	**35,951**	**3,222**	**–**
Less allowance for ECL at 31 December	–	–	(131)	(9)	–	–	–	–	(122)	–
Loans outstanding at 31 December, net	**–**	**–**	**21,146**	**3,078**	**–**	**–**	**–**	**35,951**	**3,100**	**–**

	2021					*2020*				
	Parent	*Entities under common control of RF*	*Associates and jointly controlled entities*	*Key management personnel*	*Other related parties*	*Parent*	*Entities under common control of RF*	*Associates*	*Key management personnel*	*Other related parties*
Amounts due to credit institutions at 1 January	**645,537**	**364,052**	**–**	**–**	**6,492**	**576,428**	**71,958**	**–**	**–**	**28,491**
Amounts due to credit institutions received during the year	1,901,019	586,562	–	–	35,405	1,411,241	504,727	–	–	8,447
Amounts due to credit institutions repaid during the year	(2,027,410)	(681,838)	–	–	(29,055)	(1,458,942)	(445,818)	–	–	(32,014)
Other changes	(24,390)	(25,858)	–	–	75	116,810	233,185	–	–	1,568
Amounts due to credit institutions at 31 December	**494,756**	**242,918**	**–**	**–**	**12,917**	**645,537**	**364,052**	**–**	**–**	**6,492**
Subordinated debt at 1 January	**257,467**	**–**	**–**	**–**	**–**	**212,600**	**–**	**–**	**–**	**–**
Subordinated debt received during the year	–	–	–	–	–	–	–	–	–	–
Subordinated debt repaid during the year	–	–	–	–	–	–	–	–	–	–
Other changes	(4,012)	–	–	–	–	44,867	–	–	–	–
Subordinated debt at 31 December	**253,455**	**–**	**–**	**–**	**–**	**257,467**	**–**	**–**	**–**	**–**
Deposits at 1 January	**–**	**–**	**1,053**	**893**	**2,233**	**–**	**–**	**740**	**1,932**	**1,518**
Deposits received during the year	–	–	36,486	2,361	61,781	–	–	30,453	2,702	2,233
Deposits repaid during the year	–	–	(35,299)	(2,785)	(57,979)	–	–	(30,140)	(3,585)	(1,518)
Other changes	–	–	–	138	(256)	–	–	–	(156)	–
Deposits at 31 December	**–**	**–**	**2,240**	**607**	**5,779**	**–**	**–**	**1,053**	**893**	**2,233**
Settlement and current accounts at 31 December	**–**	**–**	**1,805**	**1,281**	**5,968**	**–**	**–**	**1,981**	**914**	**8,321**
Credit related financial commitments	–	–	–	115	–	–	–	–	105	–
Derivative financial liabilities	–	–	–	–		3,373	–	–	–	–
Other liabilities	589	–	–	–	7	859	–	–	–	7

(Thousands of Belarusian rubles, unless otherwise indicated)

32. Related party disclosures (continued)

Transactions with other related parties, including VEB.RF group of companies (continued)

The “Other changes” item includes translation differences and interest accrued but not paid.

Income and expenses arising from related party transactions during the reporting period are as follows:

	For the year ended 31 December									
	2021					*2020*				
	Parent	*Entities under common control of RF*	*Associates and jointly controlled entities*	*Key management personnel*	*Other related parties*	*Parent*	*Entities under common control of RF*	*Associates*	*Key management personnel*	*Other related parties*
Interest income on loans	1,010	600	–	269	162	1,604	386	–	195	–
Interest expense	(24,203)	(15,693)	(38)	(5)	(3)	(35,068)	(16,959)	(48)	(43)	(672)
Fee and commission income	1	–	2	8	35	1	–	7	6	42
Fee and commission expense	(1,047)	(431)	–	(3)	(26)	(1,354)	(366)	–	(9)	(8)
Income from transactions with foreign currency, precious metals and precious stones	–	24	–	–	–	–	8,541	–	–	–
Expenses from transactions with foreign currency, precious metals and precious stones	–	–	–	–	–	–	–	–	–	–
Income from derivative financial instruments	19,255	–	–	–	–	13,506	–	–	–	–
Expenses from derivative financial instruments	(10,142)	–	–	–	–	(28,661)	–	–	–	–
Other operating expenses	–	–	–	–	–	–	–	–	–	–

In 2021, transactions with related parties were made on the following terms: period for fund raising was from 3 months to 10 years; the interest rate on agreements denominated in USD was from 1% to 6%, in EUR: from 1% to 4%; and in RUB: from 4% to 6%.

Compensation to key management personnel comprises the following:

	2021	*2020*
Salaries and other short-term employee benefits	7,623	5,773
Other long-term benefits	10,380	5,206
Social security costs	166	145
Mandatory contributions to the pension fund	773	675
Expenses related to voluntary pension insurance	22	12
Total compensation to key management personnel	**18,964**	**11,811**

33. Changes in liabilities arising from financing activities

	Note	*Debt securities issued*	*Lease liabilities*	*Other borrowed funds*	*Subordinated loans*	*Total liabilities arising from financing activities*
Carrying amount at 31 December 2019		**46,767**	**4,195**	**629,318**	**212,600**	**892,880**
Additions		209,363	11,705	259,931	–	**480,999**
Repayment		(179,791)	(8,054)	(599,776)	–	**(787,621)**
Exchange differences		891	3,820	50,872	38,819	**94,402**
Other		1,227	187	3,367	6,048	**10,829**
Carrying amount at 31 December 2020	22, 19, 23	**78,457**	**11,853**	**343,712**	**257,467**	**691,489**
Additions		74,466	10,697	56,082	–	**141,245**
Repayment		(38,489)	(5,895)	(116,859)	–	**(161,243)**
Exchange differences		(710)	(3,455)	(22,853)	(808)	**(27,826)**
Other		(601)	137	977	(3,204)	**(2,691)**
Carrying amount at 31 December 2021	22, 19, 23	**113,123**	**13,337**	**261,059**	**253,455**	**640,974**

The “Other” item comprises the effect of interest on debt securities issued and subordinated loans that was accrued but not paid, and lease payments. The Bank classifies interest paid as cash flows from operating activities.

(Thousands of Belarusian rubles, unless otherwise indicated)

34. Capital adequacy

Bank BelVEB OJSC maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the capital of Bank BelVEB OJSC is monitored using, among other measures, principals, ratios established by the Basel Capital Accord 1988 and ratios used by the National Bank of the Republic of Belarus in supervising the Bank.

Bank BelVEB OJSC manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, Bank BelVEB OJSC may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

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

The National Bank of the Republic of Belarus requires that the amount of regulatory capital based on the conservation buffer of banks should be maintained at the level of 12.5% in 2021 (2020: 12.5%) of credit risk-weighted assets taking into account the amount of market and operating risks calculated under the laws of the Republic of Belarus. As at 31 December 2021 and 2020, the capital adequacy ratio of Bank BelVEB OJSC on this basis was as follows:

	2021	***2020***
Main capital	556,960	512,778
Additional paid-in capital	194,220	142,078
Deductions from capital	(18,605)	(15,113)
Total capital	**732,575**	**639,743**
Risk weighted assets	**4,337,371**	**4,352,071**
Capital adequacy ratio	16.9%	14.7%

Capital adequacy ratio under Basel Capital Accord 1988

As at 31 December 2021 and 2020, the Bank's capital adequacy ratio computed in accordance with Basel Capital Accord 1988, taking into account subsequent amendments relating to the incorporation of market risks, comprised:

	2021	***2020***
Tier 1 capital	687,492	654,019
Tier 2 capital	102,310	102,899
Total capital	**789,802**	**756,918**
Risk weighted assets	**5,108,379**	**5,322,268**
Tier 1 capital adequacy ratio	13.5%	12.3%
Total capital adequacy ratio	15.5%	14.2%

35. Events after the reporting period

In February 2022, due to the events in Ukraine, new sanctions were imposed by Great Britain, the USA and the EU against the government debt of the Russian Federation and certain Russian banks, as well as personal sanctions in respect of certain individuals. These sanctions place restrictions on the access to financial systems, on payments and other banking operations. Starting 24 February 2022, economic sanctions against State Development Corporation VEB.RF came into effect, which also affected the Bank belonging to the VEB.RF group of companies.

Since February 2022, there has been a significant growth in volatility on equity and currency markets and the Belarusian ruble has significantly depreciated against the US dollar and the euro due to increased geopolitical tensions. On 28 February 2022, the National Bank of the Republic of Belarus decided ad hoc to increase the refinancing rate to 12% p.a.

Management is currently analyzing a potential impact of changing micro- and macroeconomic conditions on the financial position and performance of the Bank and takes appropriate measures to maintain liquidity in the foreseeable future.