Reshenie Bank Joint-Stock Company

Financial statements
for the year ended 31 December 2022

June 2023

This document contains 78 pages

Translation from the original into English

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of

Reshenie Bank Joint-Stock Company

Ref. number: 04-05/64
Date: 5 June 2023

Opinion

We have audited the accompanying financial statements of Reshenie Bank Joint Stock Company (hereinafter - "R-Bank JSC", "auditee") (location: Republic of Belarus, 220035, Minsk, 11 Ignatenko Str.; date of state registration: Reshenie Bank Joint-Stock Company registered by the National Bank of the Republic of Belarus on 09 November 1994, registration number in the Unified State Register of Legal Entities and Individual Entrepreneurs: 100789114), which comprise:

- The statement of financial position as at 31 December 2022;
- The statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and
- Notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of R-Bank JSC as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and their Interpretations (hereinafter - "IFRSs").

Basis for opinion

We conducted our audit in accordance with the requirements of the Law of the Republic of Belarus No. 56-Z dated 12 July 2013 "On Auditing Activities", the Instructions on Regulation of Auditing Activity at Banks, Non-bank Financial Organizations, Banking Groups and Banking Holdings approved by Resolution No. 495 of the Board of the National Bank of the Republic of Belarus dated 11 December 2019, the National Standards of Auditing Activities approved by the Ministry of Finance of the Republic of Belarus and the International Standards on Auditing.

Our responsibilities under those requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We observed the principle of independence in relation to the auditee in accordance with the requirements of the Law of the Republic of Belarus No. 56-Z dated 12 July 2013 "On Auditing Activities", the National Standards of Auditing Activities approved by the Ministry of Finance of the Republic of Belarus and the International Code of Ethics for Professional Accountants adopted by the International Ethics Standards Board for Accountants, and we observed other principles of professional ethics in accordance with these requirements.

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

Key audit matters

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

Provision for expected credit losses on loans granted to customers

The determination of a significant increase in credit risk from the date of initial recognition, both on an individual and portfolio basis, as well as for the assessment of expected credit losses in accordance with IFRS 9 "Financial Instruments" (hereinafter – "IFRS 9") require the Bank's management to apply professional judgment and use assumptions. The assessment of the increase in credit risk is based on the relative change in credit ratings, the length of past due debt and other objective and subjective factors. The choice of thresholds at which an increase in credit risk is recognized as significant is also subjective.

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

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

Due to the materiality of the amounts of loans granted to customers, which account for 43% of total assets, as well as the high level of subjectivity of judgments used to calculate the corresponding reserves, the calculation of the reserve for expected credit losses on loans granted to customers is one of the key audit issues. We also noted a high concentration of the loan portfolio of legal entities.

Information on the provision for expected credit losses in respect of loans to customers is provided in Note 8 "Loans to Customers" and Note 36 "Risk Management" (in terms of credit risk) to the financial statements.

Our audit procedures included an assessment of compliance of the Bank's methodology and policy regarding the assessment of expected credit losses with the requirements of IFRS 9, as well as the study of credit agreements, collateral agreements, analysis of assumptions used by the Bank in calculating the reserve.

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

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

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Key audit matters (ending)

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

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

We have analyzed the information provided in the notes for completeness and compliance with the requirements of IFRS.

The audit evidence obtained from audit procedures performed during the audit, including the above, is sufficient and appropriate to serve as a basis for expressing our audit opinion on this matter.

Responsibilities of the Auditee for the Preparation of the Financial Statements

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

In preparing the financial statements, Management is responsible for assessing the ability of the auditee to continue as a going concern and using the going concern basis of accounting unless Management either intends to liquidate the auditee or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for the supervision of the preparation of auditee's financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements are free from material misstatement, whether due to fraud and (or) error, and to issue an auditor's report that includes our opinion expressed in the prescribed form.

Reasonable assurance forms a high level of assurance, but it does not guarantee that an audit conducted in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing Activities", the Instructions on Regulation of Auditing Activity at Banks, Non-bank Financial Organizations, Banking Groups and Banking Holdings approved by Resolution No. 495 of the Board of the National Bank of the Republic of Belarus dated 11 December 2019, the National Standards of Auditing Activities approved by the Ministry of Finance of the Republic of Belarus and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise due to fraud and (or) error and are considered material if, individually or taken together, they could reasonably be expected to influence the economic decisions of the users of these financial statements taken on its basis.

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

As part of audit conducted in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing Activities", the Instructions on Regulation of Auditing Activity at Banks, Non-bank Financial Organizations, Banking Groups and Banking Holdings approved by Resolution No. 495 of the Board of the National Bank of the Republic of Belarus dated 11 December 2019, the National Standards of Auditing Activities approved by the Ministry of Finance of the Republic of Belarus and International Standards on Auditing, the auditee exercises professional judgment and maintains professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud and (or) error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of the internal control system relevant to the audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures of the financial statements made by the auditee.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the auditee's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements. Or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the auditee to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

From the matters communicated with those charged with governance, we determine the matters that were most relevant to the audit of the financial statements for the current period and, therefore, are key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about these matters or, in very rare cases, when we determine that the information on a particular matter should not be disclosed since the adverse consequences of such disclosure would reasonably be expected to outweigh the benefits of such disclosure.

Engagement Partner (Power of Attorney No. 15-07-22 dated 04.07.2022)	Andrey Misuk (certificate on conformity with qualification requirements for performance of audit activity in Banks No. 93 dated 21.01.2016; qualification certificate of the auditor No. 0002095 dated 27.12.2012, registration No. 1918)
Engagement Manager	Ivan Kovalenko (certificate on conformity with qualification requirements for performance of audit activity in Banks No. 73 dated 04.12.2013; qualification certificate of the auditor No. 0002117 dated 27.06.2013, registration No. 1938)

Auditor's report date: 05 June 2023

Place of issue: Minsk, Republic of Belarus

Date of receipt by the auditee: 05 June 2023

Position, Full name *V. S. Borichevskaya* Signature

INFORMATION ABOUT THE AUDITOR:

Name:	Business Assurance LLC
Location:	103 Pobediteley ave., floor 8, office 7, Minsk, 220020, Republic of Belarus
Date of state registration:	Certificate on the state registration issued by Minsk City Executive Committee dated 04.07.2022
Registration number in the Unified State Register of Legal Entities and Individual Entrepreneurs	190241132
Registration number in the register of audit entities	10028

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management of R-Bank JSC is responsible for the preparation of financial statements of the Bank. The financial statements on pages 9 to 78 represent fairly the financial position of the Bank as at 31 December 2022, the results of its operations and cash flows for the year ended 31 December 2022 in accordance with International Financial Reporting Standards (hereinafter – "IFRSs").

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

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

The financial statements for the year ended 31 December 2022 are authorized for issue on 05 June 2023 and are signed on behalf of the Management of the Bank.

On behalf of the Management of the Bank:

Chairperson of the Management Board S.D. Budnikov	Chief Accountant V.S. Borichevskaya
______________________	______________________

Minsk
05 June 2023

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	6	82,175	42,394
Due from banks	7	28,758	14,200
Loans to customers	8	113,056	127,861
Financial assets measured at fair value through profit or loss	9	-	74
Financial assets measured at fair value through other comprehensive income	10	34	32,036
Securities measured at amortized cost	11	21,104	-
Investment property	12	-	248
Property for sale	13	230	2
Property and equipment and intangible assets	14	14,085	14,621
Right-of-use assets	15	62	107
Other assets	16	3,088	4,642
TOTAL ASSETS		**262,592**	**236,185**
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	17	8,059	14,658
Due to customers	18	171,252	141,954
Debt securities issued	19	11,067	12,542
Lease liabilities	20	18,620	104
Subordinated loans	21	61	17,338
Financial liabilities measured at fair value through profit or loss	22	-	69
Other liabilities	23	4,645	3,768
Total liabilities		**213,704**	**190,433**
Equity			
Share capital	24	73,639	73,639
Revaluation reserve for financial assets measured at fair value through other comprehensive income	10	-	(1,120)
Unrecovered loss		(24,751)	(26,767)
Total equity		**48,888**	**45,752**
TOTAL LIABILITIES AND EQUITY		**262,592**	**236,185**

The accompanying notes on pages 15 to 78 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
05 June 2023

STATEMENT OF COMPREHENSIVE INCOME

	Note	2022	2021
Interest income		20,138	19,547
Interest expenses		(10,299)	(12,410)
Net interest income	25	**9,839**	**7,137**
Commission income		20,128	12,019
Commission expenses		(15,262)	(4,944)
Net commission income	26	**4,866**	**7,075**
Net gain from transactions with financial assets measured at fair value through profit or loss	27	(797)	293
Net gain from operations with securities measured at amortized cost	28	16,981	(435)
Net gain from foreign currency transactions	29	(276)	1,873
Net accrual of allowances for other assets, including:		(490)	(45)
Net accrual of allowances for credit related commitments	34	*(298)*	*(1)*
Net accrual of allowances for the impairment of inventories	16	*(192)*	*(44)*
Net other income	30	2,258	3,123
Total operating income		**32,381**	**19,021**
Net accrual of allowance for impairment of financial assets:	7, 8, 10, 11, 16	(11,412)	(1,442)
Personnel expenses	31	(9,064)	(8,394)
Amortization/Depreciation	12, 14, 15	(1,945)	(1,868)
Administrative expenses	32	(6,031)	(5,797)
Profit before tax		**3,929**	**1,520**
Income tax expense	33	(793)	(49)
Net profit for the year		**3,136**	**1,471**
Basic earnings per ordinary share	24.1	0.2139	0.1003

	Note	2022	2021
Other comprehensive income that will be subsequently reclassified to profit or loss			
Net change in allowance for expected credit losses on financial assets measured at fair value through other comprehensive income	10	-	192
Total other comprehensive income that will be subsequently reclassified to profit or loss		-	192
TOTAL COMREHENSIVE INCOME		**3,136**	**1,663**

The accompanying notes on pages 15 to 78 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
05 June 2023

STATEMENT OF CHANGES IN EQUITY

	Note	Share capital	Revaluation reserve for financial assets measured at fair value through other comprehensive income	Unrecovered Loss	Total Equity
Balance as at 31 December 2020		**73,639**	**(1,312)**	**(28,238)**	**44,089**
Total comprehensive income		**-**	**192**	**1,471**	**1,663**
Net profit for the year		-	-	1,471	1,471
Other comprehensive expenses for the year	10	-	192	-	192
Balance as at 31 December 2021		**73,639**	**(1,120)**	**(26,767)**	**45,752**
Total comprehensive income			**1,120**	**2,016**	**3,136**
Net profit for the year		-	-	3,136	3,136
Other comprehensive expenses for the year	10	-	1,120	(1,120)	-
Balance as at 31 December 2022		**73,639**	**-**	**(24,751)**	**48,888**

The accompanying notes on pages 15 to 78 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
05 June 2023

STATEMENT OF CASH FLOWS

	Note	2022	2021
Cash flow from operating activities:			
Interest income received		20,446	19,417
Interest expenses paid		(10,552)	(12,235)
Commission income received		20,109	11,989
Commission expenses paid		(14,254)	(4,837)
Realized results of foreign exchange, precious metals and gemstones operations		15,533	2,116
Realized results of operations with financial assets measured at fair value through profit or loss		(280)	(436)
Other income received		4,092	2,959
Personnel expenses	31	(9,064)	(8,394)
Administrative expenses paid		(6,013)	(5,493)
Cash flows from operating activities before changes in operating assets and liabilities		**20,017**	**5,086**
Increase/(decrease) in operating assets			
Due from banks		(20,445)	(8,321)
Loans to customers		11,310	14,341
Financial assets measured at fair value through profit or loss		72	313
Financial assets measured at fair value through other comprehensive income		10,553	(2,297)
Other assets		759	(1,116)
Increase/(decrease) in operating liabilities:			
Due to banks		(6,918)	5,623
Due to customers		25,324	3,463
Debt securities issued		(1,135)	(973)
Financial liabilities measured at fair value through profit or loss		(864)	(6)
Other liabilities		167	877
Net cash flows from operating activities before tax		**38,840**	**16,990**
Income tax paid		(1,106)	68
Net cash flow from operating activities		**37,734**	**17,058**
Cash flow from investing activities:			
Acquisition of property and equipment and intangible assets		(1,581)	(2,655)
Purchase of property and equipment and intangible assets		186	17
Acquisition of securities accounted at amortized cost		(3,817)	-
Redemption (realization) of securities measured at amortized cost		5,100	-
Net cash flow from investing activities		**(112)**	**(2,638)**
Cash flow from financing activities			
Payments in respect of the amount of the lease liability	15, 20	(43)	(316)

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	Note	2022	2021
Net cash flow from financing activities		**(43)**	**(316)**
Net increase/ (decrease) in cash and cash equivalents		**35,579**	**(14,104)**
Effect of changes in foreign exchange rates on cash and cash equivalents		3,635	(571)
Cash and cash equivalents at the beginning of the year (before deduction of allowance)	6	**42,553**	**29,020**
Cash and cash equivalents at the end of the year (before deduction of allowance)	6	**83,767**	**42,553**

The accompanying notes on pages 15 to 78 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
05 June 2023

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

The previous name of the Bank is Closed Joint-Stock Company "Trustbank". The Bank was renamed on 08 June 2016 in accordance with the decision of the General Meeting of Shareholders.

The Bank is registered in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 100789114.

The main objectives of the Bank are:

- assistance in the development of commodity-money relations by providing the Bank's clients with a full range of banking services permitted by the current legislation of the Republic of Belarus;
- assistance to the development of entrepreneurship in the Republic of Belarus, expansion of production, achievement of a higher standard of living of the population;
- foreign trade financing;
- making a profit by the Bank and its shareholders.

During the reporting period, the Bank operated on the basis of the following licenses:

- license No. 14 dated 21 September 2021 for banking activities issued by the National Bank;
- special permit (license) to carry out professional and exchange activities on securities No. 02200/5200-246-1099 issued by the Ministry of Finance of the Republic of Belarus on 14 April 1995;
- special permit (license) to carry out activities related to precious metals and precious stones No. 02200/21-00055, issued by the Ministry of Finance of the Republic of Belarus on the basis of Decision No. 110 dated 17 March 2004;
- special permit (license) to carry out security activities No. 33030/355, issued by the Ministry of Internal Affairs of the Republic of Belarus on the basis of Decision No. 355 dated 21 September 1999.

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

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

In accordance with the banking license No. 14 dated 21 September 2021, issued by the National Bank of the Republic of Belarus, the Bank may carry out the following banking operations:

- raising of funds of legal entities on accounts and deposits;
- placement of raised funds of legal entities on accounts and deposits on its own behalf and at their own expense under the repayment, payment, and maturity conditions;
- opening and maintaining bank accounts of legal entities;
- opening and maintaining accounts in precious metals;

- settlement and cash services to individuals and legal entities, including correspondent banks;
- currency exchange transactions;
- purchase and sale of precious metals and gem stones in the cases provided by the National Bank;
- raising and placement of precious metals and gem stones in deposits of individuals and legal entities;
- issuance of bank guarantees;
- trust funds under the contract of trust management;
- issue (emission) of bank payment cards;
- issue (emission) of bank electronic money.
- issue of securities confirming the raising of funds on deposits and placing them on the accounts;
- accounts receivable financing (factoring);
- provision to individuals and legal entities of special premises or safes in them for bank storage of documents and valuables (cash, securities, precious metals and gem stones, etc.);
- transportation of cash, precious metals and gem stones and other valuables between banks and non-bank credit and financial organizations, their separate structural divisions, as well as delivery of such valuables to customers of banks and non-bank credit and financial organizations.

As at 31 December 2022, the Bank's geographically distributed network is represented by 7 Banking Service Centers: BSC No. 01/01 Brest, 02/01 Vitebsk, 03/01 Gomel, 04/03 Grodno, 08/01 Mogilev, 07/01 Minsk, 07/02 Minsk.

The average listed number of employees of Bank as at 31 December 2022 was 250 people (as at 31 December 2021 - 267 people).

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

	Share (%) 2022	Share (%) 2021
Alm Investments FZE (United Arab Emirates Free Zone Ras Al Khaimah, Ras A1 Khaimah)	68.3	68.3
Joint venture "Intersportproekt" Limited (Republic of Belarus)	18.3	18.3
Joint venture "Saturn-Info" Limited (Republic of Belarus)	13.4	13.4
Total	**100.0**	**100.0**

The ultimate controlling owner of the Bank as at 31 December 2022 and 31 December 2021 is Mohammad Ahmad Salem Khalifa Alzaraim Al Suwaidi, resident of UAE, Dubai.

2. ECONOMIC ENVIRONMENT IN WHICH THE BANK OPERATES

The activities of the Bank are carried out on the territory of the Republic of Belarus. The economy of the Republic of Belarus has some characteristic features inherent in emerging markets. The legal, tax and administrative systems are subject to frequent changes and allow for different interpretations. The tense geopolitical situation, as well as international sanctions imposed on several Belarusian companies, banks and individuals had a negative impact on the economic situation in the Republic of Belarus. The Management of the Bank believes that all appropriate measures have been taken to maintain the economic stability of the Bank in the current conditions.

These trends may have a significant impact on the results of activities and financial position of the Bank in the future, at present it is difficult to predict exactly what this impact will be. The future economic and regulatory situation and its impact on the results of the activities of the Bank may differ from the current expectations of management.

The functioning of the economy of the Republic of Belarus in 2022 was largely determined by the influence of a group of external factors. The most significant factor that had a meaningful impact on the conditions of the functioning of the Belarusian economy is the strengthening in February-March 2022 of the sanctions pressure against the Republic of Belarus and the Russian Federation in connection with the aggravation of the geopolitical situation in the world after the start of a special military operation in February 2022.

The sanctions and the disruption of production and logistics chains led to a significant decrease in manufacturing production, wholesale and retail trade, and cargo turnover in 2022. Many foreign companies have stopped doing business in the Republic of Belarus.

Restrictive measures have been imposed on the Belarusian financial sector. Thus, the inclusion of most of the systemically important banks in the sanctions lists limited their ability to carry out foreign economic activity. Several Belarusian banks and their subsidiaries were disconnected from the SWIFT – international financial messaging system, Mastercard and American Express payment systems suspended their cooperation with a number of banks. Trade and investment financing operations were banned.

In order to counter the emerging unfavorable trends in the economy, the Government of the Republic of Belarus together with the National Bank is implementing a wide range of measures aimed at minimizing the negative impact of sanctions, supporting and ensuring the macroeconomic balance of the Belarusian economy.

In order to create conditions aimed at limiting the level of inflation and maintaining macroeconomic balance, the refinancing rate from March 1, 2022 was increased by the National Bank from 9.25% to 12% per annum. Proper control of the money supply is ensured.

Annual inflation in the consumer sector of the Republic of Belarus in 2022 amounted to 12.8% per annum, which is 2.83% more than in 2021. This indicator exceeded the target forecast almost twice. Among the main reasons for the higher average monthly inflation growth rates compared to last year there are internal factors as the adaptation of the functioning of Belarusian enterprises to the changed conditions, the replacement of traditional European markets with new markets, keeping of high inflation expectations.

The volume of gross domestic product in 2022 decreased by 4.7% compared to 2021 and amounted to 175.1 billion rubles. The growth rate of the economy turned out to be significantly below the planned level.

The real disposable income of the population of Belarus in 2022 decreased by 3.6% compared to the same period in 2021. This is largely due to the price increase which in 2022 turned out to be twice as much as the Government of the Republic of Belarus predicted.

The weighted average exchange rate of the Belarusian ruble on the foreign exchange market of the Republic of Belarus against the Russian ruble in January-December 2022 was at the level of 3.9094 rubles per 100 Russian rubles; against the US dollar – 2.6423 rubles per 1 US dollar, against the euro – 2.7755 rubles per 1 euro.

At the beginning of 2022 the National Bank absorbed sharp fluctuations in the value of a basket of foreign currencies through currency interventions. At the same time the issue of introducing any restrictions on the implementation of currency exchange operations in the foreign exchange market was not considered.

The decline in interest rates of the credit and deposit market accelerated in 2022. The average interest rate on one-day interbank loans and deposits in national currency in December 2022 was 0.98% per annum, while in December 2021 the average interest rate was 1% per annum.

The average interest rate on new bank loans (without interbank loans) in the national currency in December 2022 was at the level of 9.81% per annum. The average interest rate on new loans of banks to legal entities in national currency in December 2022 was 9.69% per annum, for new loans of banks to individuals – 10.98% per annum. The average interest rate on new bank loans (without interbank loans) in foreign currency to legal entities has developed at the level of 10.59% per annum.

In order to restore the resource base, banks maintained an attractive level of interest rates on ruble deposits of legal entities and individuals. The average interest rate on new term bank deposits in the national currency in December 2022 was at the level of 3.28% per annum. The average interest rate on new fixed-term bank deposits of legal entities in the national currency in December 2022 was 1.61% per annum, on new fixed-term bank deposits of individuals – 9.91% per annum. The average interest rate on new term bank deposits in foreign currency in December 2022 was 2.35% per annum. The average interest rate on new fixed-term bank deposits of legal entities was at the level of 2.15% per annum, on new fixed-term bank deposits of individuals – 2.87% per annum.

The strengthening of the resource base contributed to the swift away from the liquidity deficit in the Banking sector, which was observed at the beginning of the year, to a steady surplus. The National Bank maintained the liquidity of banks through credit auctions if it was necessary.

In June 2022, the international rating agency Fitch downgraded the long-term rating of the Republic of Belarus in foreign currency to C (the reason was the decision of the Council of Ministers of the Republic of Belarus and the National Bank to fulfill obligations on Eurobonds in Belarusian rubles). As of December 31, 2022, the rating agency downgraded the long-term foreign currency rating of Belarus to "RD" (the issuer has not made timely payments (taking into account the applicable grace period) for some but not all of the main part of obligations and continues to make payments on other types of obligations).

In May 2022 the international rating agency S&P Global Ratings downgraded the long-term sovereign credit rating of the Republic of Belarus in foreign currency to the CC category, the outlook is "negative", stating that it sees the country's high vulnerability to debt defaults. As of December 31, 2022, the rating agency downgraded the long-term foreign currency rating of Belarus to "SD" ("selective default").

At the same time, the Russian Analytical Credit Rating Agency confirmed the long-term credit rating of the Republic of Belarus at the B+ level, the outlook is "developing", based on such positive rating factors as a relatively high level of welfare, a moderate level of public debt, etc.

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

The Management of the Bank takes all necessary measures to ensure the sustainability of the activities of the Bank.

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of Compliance

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

Going concern

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

The Bank believes that it will be able to continue as a going concern despite significant estimation uncertainties. The established business model of the Bank is resistant to changes in the economic environment.

According to the results of the annual financial statements of 2022 prepared in accordance with the Belarusian legislation, the regulatory capital of the Bank as at 31 December 2022 amounted to 73,653 thousand rubles.

For the year ended 31 December 2022, the Bank earned a profit in the amount of 3,136 thousand rubles.

The Bank believes that the sanctions pressure on the Republic of Belarus and increased volatility in markets are the facts that in the future could affect the going concern basis. Due to the uncertainty, the Bank cannot accurately and reliably estimate the quantitative impact of these events on its financial position. In addition, factors such as a decrease in real incomes of the population, a reduction in the liquidity and profitability of companies, as well as an increase in bankruptcy cases of legal entities and individuals may affect the ability of the Bank's borrowers to repay debts to the Bank. In addition, adverse changes in economic conditions may lead to a decrease in the value of collateral held on loans and other liabilities.

In assessing the impact of these events on its financial position, the Bank used updated data of its budgets taking into account adjusted (updated) forecast data. In its judgments, the Bank took into account the support measures taken by the Government of the Republic of Belarus and the National Bank operating at the reporting date.

In the current situation, the Bank continues to fully provide banking services to customers. The Bank also implements a set of measures aimed at supporting corporate and retail loan recipients, as well as small and medium-sized businesses in terms of loan restructuring, development of remote banking services, and others.

At present the Bank believes it will be able to continue as a going concern despite significant uncertainty in the measurement. The formed business model of the Bank is resistant to changes in economic conditions. According to the estimates of the Management of the Bank, there is no significant uncertainty to continue as a going concern.

Functional and reporting currency

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

Foreign currency

Transactions in foreign currencies are translated into the functional currency at the exchange rate of the National Bank effective on the date of the transaction. All monetary assets and liabilities, including off-balance sheet claims and liabilities denominated in foreign currencies, are translated into Belarusian rubles at the exchange rate in effect at the reporting date.

Gains or losses arising from currency fluctuations on monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income in the period in which these fluctuations occur. Differences arising from the translation of transactions in foreign currencies are recognized through profit or loss, except for differences arising from the translation of available-for-sale assets carried at fair value, which are recognized in other comprehensive income.

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

	31 December 2022	31 December 2021
BYN/USD	2.7364	2.5481
BYN/EUR	2.9156	2.8826
BYN/100 RUB	3.7835	3.4322

Non-monetary assets and liabilities denominated in foreign currencies that are carried at fair or original cost are translated into Belarusian rubles at the exchange rate of the National Bank on the date of the transaction or the determination of the fair value.

Use of estimates and assumptions

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

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

Professional judgments that have the most significant impact on the amounts reported in the financial statements and the estimates that may result in significant adjustments to the book value of assets and liabilities in the following financial year are presented below.

Allowance for impairment

Classification of financial assets

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

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

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

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

Initial data for estimating expected losses

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

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

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

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

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

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

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

Changes in approaches

In 2022, to assess the probability of default, the Management of the Bank decided to use an average rating based on ratings assigned by international agencies Standard & Poor's, Fitch, Moody's, as well as rating agencies of the Russian Federation ACRA and Expert RA.

Taking into account the fact that the Bank conducts its activities exclusively on the territory of the Republic of Belarus, during the reporting period there was no significant deterioration in the economic situation of the National Bank, counterparty banks (residents of the Republic of Belarus), the Bank itself, Management of the NKFO decided to change the approach to determining counterparty ratings used to assess the probability of default (RD) of the counterparty.

Previously, when determining the probability of default (PD) of the counterparty, the Bank used the lowest of the ratings assigned to the counterparty by one of the international rating agencies (Standard & Poor's, Fitch, Moody's). If there was no rating assigned to the counterparty, or such a rating was assigned by several rating agencies, a rating corresponding to a higher degree of risk, but not lower than the degree of risk in the relevant region of the client's residence (in fact, the rating of the counterparty's country of registration) was used for evaluation.

In accordance with the new methodology, the amount of the estimated reserve for expected credit losses of counterparty and the Ministry of Finance of the Republic of Belarus (as an issuer of bonds) in accordance with IFRS 9 as at 31 December 2022 amounted to 6,027 thousand Belarusian rubles. The movement of reserves is presented in Note 6 "Cash and cash equivalents", Note 7 "Due from banks" and Note 11 "Securities measured at amortized cost" (in terms of bonds of the Ministry of Finance of the Republic of Belarus).

When applying the methodology of the last reporting period, the amount of the estimated reserve for expected credit losses of counterparty banks and the Ministry of Finance of the Republic of Belarus (as an issuer of bonds) in accordance with IFRS 9 as at 31 December 2022 would have amounted to 18,043 thousand Belarusian rubles и 1,581 thousand Belarusian rubles accordingly.

Fair value measurement of financial instruments

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

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

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

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

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

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

<u>Determination of deferred tax assets</u>

A recognized deferred tax asset is the amount of income tax that can be set off against future income taxes and is recognized in the statement of financial position.

A deferred tax asset is recognized only to the extent that the relevant tax benefit is likely to be used. The determination of future taxable profits and the amount of tax benefits likely to occur in the future is based on the forecasts of the Management of the Bank.

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New and revised IFRS issued and effective on 1 January 2022

Amendments to IFRS (IAS) 16 Fixed Assets

Additions to the Standard relate to accounting and disclosure of information regarding receipts for fixed assets before they are used for their intended purpose. The amendments prohibit deducting from the initial cost of fixed assets the amounts received from the sale of products produced during the preparation of the asset for its intended use. Such sales revenue and related costs are recognized in profit or loss.

The amendments apply retrospectively. The amendments apply for annual reporting periods beginning on or after 1 January 2022.

Amendments to IFRS (IAS) 37

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous. Costs that are directly related to a contract for the supply of goods or services include both additional costs (for example, labour and materials costs) and the allocation of costs directly related to the contract (for example, depreciation of equipment used to fulfil the contract, as well as the costs of contract management and supervision). General and administrative expenses are not directly related to the contract and are excluded if they are not explicitly attributed to the counterparty under the contract.

The amendments apply for annual reporting periods beginning on or after 1 January 2022.

Amendments to IFRS 3 Business Combinations

The standard is supplemented by an exception to the principles of recognition of assets and liabilities in the property to be acquired. An exception has been made with respect to liabilities and contingent liabilities related to the scope of IAS 37 or the FRIC Interpretation (IFRIC 21). These liabilities are assessed as if they arose as a result of separate transactions and were not accepted as part of a business combination.

The amendments apply to business combinations for which the acquisition date coincides or occurs after the beginning of the first annual reporting period beginning on or after 1 January 2022. Early application is allowed if earlier or at the same time an entity also applies all the amendments made by the document "Amendments to the References to the Conceptual Framework in the IFRS Standards", issued in March 2018.

The application of the above amendments did not have a significant impact on the financial statements of the Bank.

Annual Improvements to IFRS 2018-2020

Amendments to IFRS 9 Financial Instruments (10% test for derecognition of financial liabilities)

In determining whether to derecognize a financial liability that has been modified or exchanged, an entity assesses whether the terms are substantially different by reference to the '10 percent test'.

When replacing a debt instrument with another one or modifying the terms, with the instrument's repayment reflected in the accounting, all costs and commission fees paid are recognized as profit or loss from repayment. If the repayment is not reflected in the accounting, then the carrying amount of the debt instrument is adjusted for the amount of costs and commissions and this adjustment is amortized over the remaining term of the modified liability.

Amendments to IFRS 1 First Application of IFRS

The change is to extend the exemption provided for in paragraph D16 (a) to the accumulated exchange differences in the statements of a subsidiary that first switches to IFRS later than its parent company. A subsidiary that uses the exemption provided for in paragraph D16 (a) may measure accumulated exchange differences for all foreign units in its financial statements at the carrying amount at which they would have been included in the consolidated financial statements of the parent organization, based on the date of transition of the parent organization to IFRS. An associated organization or a joint venture has a similar choice.

Amendments to IAS 41 Agriculture (taxation in the assessment of fair value)

The requirement to exclude cash flows for taxation when measuring fair value using this standard has been removed from paragraph 22 of IFRS (IAS) 41 "Agriculture".

Amendments to IFRS 1 First Application of IFRS

The amendment to IFRS (IAS) 1 "Presentation of Financial statements" will relate to the modification of items concerning the classification of current and long-term liabilities.

These amendments apply to annual reporting periods beginning on or after January 1, 2022.

The application of the above amendments did not have a significant impact on the financial statements of the Bank.

NEW AND REVISED IFRS ISSUED AND EFFECTIVE AFTER 1 JANUARY 2023

The IFRS document "Deferred Tax related to Assets and Liabilities that arise as a result of a single transaction" has been put into effect. Amendments to IFRS (IAS) 12". The document contains amendments:

- to IFRS (IAS) 12 Income Taxes;
- to IFRS 1 First application of IFRS.

IFRS (IAS) 12 Income Taxes has been supplemented with another condition for a transaction as a result of which a deferred tax liability is not recognized. It should not lead to equal taxable and deductible temporary differences at the time of its commission. The same condition was established for an operation that does not result in the recognition of a deferred tax asset.

The IFRS document Disclosure of information on accounting policy is put in place. Amendments to IFRS (IAS) 1 Presentation of financial statements and Practical recommendations № 2 on the application of IFRS Formation of judgments on materiality. The document contains amendments:

- IFRS (IAS) 1 Presentation of financial statements;
- Practical recommendations № 2 on the application of IFRS;
- IFRS 7 Financial Instruments: Disclosure of information;
- IFRS (IAS) 26 Accounting and reporting on pension programs;
- IFRS (IAS) 34 Interim Financial Statements.

For IFRS (IAS) 1 Presentation of Financial statements it is specified that the complete set of these statements should include notes with material information about accounting policies. Previously, the wording was different: it was necessary to include a brief overview of significant provisions. The concept of material information about accounting policy is defined. This is information that together with other information from the financial statements, can influence the decision of its main users.

It is added that it is necessary to disclose, among other things, information about management's judgments when applying accounting policies (other than those related to estimates) which significantly affected the amounts in the statements. This should be done together with the disclosure of material information or in other notes.

These amendments to the standards should be applied to annual reporting periods beginning on or after January 1, 2023. Early application is allowed. If the organization applies these amendments to an earlier period, it will have to disclose this fact.

IFRS 17 Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of Insurance contracts and replaces IFRS 4 Insurance Contracts. This standard provides for the use of a general model modified according to insurance contracts with direct participation components described as contracts with variable fee.

The IASB has issued amendments to IFRS 17 Insurance Contracts designed to help companies implement the standard and simplify the explanation of financial results. The amendments make it possible to: reduce the costs of companies by simplifying some of the requirements of the standard; simplify the explanation of financial indicators; make it easier to switch to the standard, since its effective date is postponed to 2023, and companies are granted an additional exemption when first applying IFRS 17. It is applied for annual periods beginning no earlier than 1 January 2023.

Due to the decision to start a number of preparatory activities for the liquidation procedure liquidation, the NKFO does not plan to prepare financial statements for the year ended 31 December 2023, respectively, the above amendments will not be applied.

The Bank does not expect that the application of the above amendments will have a material impact on the financial statements.

5. SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents

Cash and cash equivalents comprise cash; accounts in the National Bank (less cash in the obligatory reserve fund) and financial institutions, which are free from any commitments; loans to financial institutions of countries belonging to the Organization for Economic Cooperation and Development (hereinafter - "OECD") with an initial maturity of less than three months.

Precious metals

Precious metals are measured at fair value, which is based on quoted prices of the London Metal Exchange (LME) at the official exchange rate. Changes of rates for precious metals are reflected as net profit / loss on operations with precious metals in other income / expenses in the statement of comprehensive income. The fair value of monetary metals is determined based on market prices prevailing at the reporting date based on the fixings of the London Bullion Market Association.

Derivative financial instruments

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

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

Financial assets and liabilities

Recognition

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

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

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

Classification and subsequent measurement of financial instruments: categories of measurement

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

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

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

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

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

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

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

Classification and subsequent measurement of financial assets: business model

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

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

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

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

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

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

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

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

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

Equity instruments measured at FVTOCI

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

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

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

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

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

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

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

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

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

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

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

Determination of a significant increase in credit risk

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

The Bank believes that a significant increase in credit risk occurs if, in relation to a financial instrument, any one of the following events occurs at the reporting date:

- overdue debt from 31 to 90 days (for legal entities and individuals) / overdue debt from 7 to 30 days (for banks, non-bank credit and financial organizations, government agencies, the National Bank); or
- restructured debt (for legal entities and individuals); or
- classification of debt into risk group III-IV (in accordance with the regulations of the National Bank) (for legal entities)/ classification of debt into risk group IV (in accordance with the regulations of the National Bank) (for banks, non-bank credit and financial organizations, government agencies, the National Bank); or
- credit rating downgrade (for banks, non-bank credit and financial organizations, government agencies, the National Bank).

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

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

Determination of default

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

- the borrower's debt on any of the Bank's significant loan liabilities is overdue for more than 90 days (for legal entities and individuals)/ the borrower's debt on any of the Bank's significant loan liabilities is overdue for more than 30 days (for banks, non-bank credit and financial organizations, government agencies, the National Bank); or
- classification of debt into risk group V-VI (in accordance with the regulations of the National Bank).

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

Forecast information

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

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

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

- 80% - basic scenario;
- 15% - moderate shock;
- 5% - strong shock.

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

Modified financial assets

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

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

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

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

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

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

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

- stage 1 - financial assets that do not have factors which indicate a significant increase in credit risk and do not show signs of impairment for which expected credit losses are calculated within one year;

- stage 2 - financial assets that have factors which indicate a significant increase in credit risk, but without signs of impairment, for which the expected credit losses are calculated for the entire life of the financial asset;
- stage 3 - financial assets that show signs of impairment and for which the expected credit losses are calculated for the entire life of the financial asset.

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

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

Accounting for POCI assets

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

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

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

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

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

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

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

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

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

Reclassification of financial assets

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

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

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

Derecognition of financial assets

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

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

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

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

Financial liabilities

All financial liabilities are classified as financial liabilities carried at amortized cost, except for the following types of liabilities:

- financial liabilities recognized at fair value through profit or loss;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement accounting principle is applied;
- financial guarantee contracts.

Financial liabilities measured at amortized cost are initially recognized at fair value less transaction costs incurred. Subsequently, they are accounted for at amortized cost.

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

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

Derecognition of financial liabilities

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

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

A change is recognized as significant if the present value of the cash flows under the new terms differs from the present value of the remaining cash flows of the original financial liability by more than 10%.

Offsets of financial assets and liabilities

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

Investment property

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

These items of property are accounted for at fair value when it can be determined; changes in fair value are recognized in the statement of comprehensive income, are not tested for impairment. If it is impossible to determine fair value, it is carried at cost less accumulated depreciation and accumulated impairment losses, the residual value is assumed to be zero.

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

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

Property and equipment

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

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

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

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

Depreciation of a property and equipment item begins from the moment if its commissioning.

Depreciation is calculated on a straight-line basis using the following annual rates based on estimated useful lives:

	Annual depreciation rate
Buildings and structures	1% - 12%
Computers	8% - 25%
Motor vehicles	10% - 20%
Furniture and other property and equipment	8% - 25%

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

Intangible assets

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

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

Intangible assets include software, licenses and other intangible assets.

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

Intangible assets with a limited useful life are amortized using a straight-line method over the useful life of 2 to 10 years and are analyzed for impairment whenever there is an indication of possible impairment of an intangible asset. Amortization periods and methods for intangible assets with limited useful lives are reviewed at least at each reporting year-end.

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

Repossessed assets

In the ordinary course of business, the Bank receives a title for non-financial assets, which were initially represented as collateral for a loans.

When the Bank acquires (i.e. gains a complete ownership) non-financial assets in this way, the asset's classification follows the nature of its intended use by the Bank. Such assets are initially recognized at the value of appropriate loans recorded in the statement of financial position. Subsequently such assets are usually classified as other assets and accounted for in accordance with IAS 2 at the lower of cost and net realizable value.

These policies are also applicable to property acquired by the Bank as loan repayment through repossession of collateral or as compensation for credit and other contracts, and intended solely for subsequent sale or for renovation and resale (by decision of the authorized body of the Bank on the implementation of such reconstruction).

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

At each reporting date the Bank revises the net realizable value and compares it with the cost of repossessed assets recorded in the statement of financial position.

If the cost of such assets is not recoverable due to damage or obsolescence of assets, market prices decline or increase in the estimated costs of completion and sales costs, the Bank writes such assets down to their net realizable value and recognizes the write down in operating expenses in the period such write down occurs or losses take place.

Subsequently, if the circumstances which led to the write down of assets change or if there is an evidence of net realizable value growth, the amount of write down is reversed so that the revised amount recorded in the statement of financial position would be the lower of net realizable value and cost.

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

Leases

Lease transactions are accounted for in accordance with the requirements of IFRS 16 "Leases".

Finance lease - Bank as lessee

The Bank recognizes lease agreements as right-of-use assets and related liabilities in the statement of financial position on the date when the asset is available for use by the Bank.

Subsequently, the Bank assesses the lease liability by increasing the book value to reflect interest on the lease liability and reducing the book value to reflect lease payments made.

The Bank recognizes a right-of-use asset at the amount equal to the lease liability, adjusted for the amount of pre-paid or accrued lease payments related to such a lease that is recognized in the statement of financial position immediately prior to the date of first-time adoption.

Subsequently, the Bank measures the right-of-use asset at cost less accumulated amortization and accumulated impairment losses.

The Bank applies the standard using practical simplifications for short-term leases (with a maximum term of 12 months or less) and leases where the underlying asset has a low value (no more than 5,000 US dollars) at the time of initial recognition. In this case, the Bank recognizes lease payments under such leases as an expense using the straight-line method over the lease term.

Finance lease - Bank as lessor

Leases that transfer substantially all the risks and rewards of ownership of an asset are classified as finance leases. As a lessor, the Bank recognizes in the statement of financial position financial lease assets and presents them as receivables, equal to net lease investments. The beginning of the finance lease term is considered to be the date when the agreement is concluded or the corresponding liabilities arise, whichever date is earlier. For the purposes of this definition, the liability must be in writing, signed by the finance lease participants, and contain a description of the lease terms.
The Bank recognizes finance income over the lease term on a schedule that reflects a constant periodic rate of return on the lessor's net investment in the lease.

The lessor distributes finance income over the entire lease term, attributing the lease payments for the period to a decrease in the gross investment in the lease, reducing both the principal and unearned finance income.

If a net investment in a finance lease is impaired, an appropriate allowance is made for impairment losses. A net investment in a finance lease is impaired if its carrying amount exceeds its estimated recoverable amount.

The amount of the impairment loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate of the lease payments due. Net investment in finance leases is carried in the statement of financial position less allowance for impairment losses.

Operating lease - Bank as lessee

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

Lease payments under an operating lease are recognized as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating lease - Bank as lessor

The Bank presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in the statement of comprehensive income on a straight-line basis over the lease term as other income.

The Bank recognizes costs, including depreciation and amortization costs incurred in obtaining rental income as an expense.

Impairment of non-financial assets

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

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

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

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

Share capital

Ordinary shares are classified as equity.

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

Provisions

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

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

Current employee benefits

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

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

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

Credit related commitments

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

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

Financial guarantees are initially recognized in the financial statements at fair value in 'Other liabilities' being the commission received. Subsequent to initial recognition, the group's liability for each guarantee contract is measured at the higher of the amortized fee, or the best estimate of the costs required to settle the financial liability arising under the guarantee. Increases in the liability associated with financial guarantee contracts are recognized in the statement of comprehensive income. The commission received is recognized on a straight-line basis over the life of the guarantee.

Provisions for potential losses on financial guarantees and other liabilities are recognized when losses are considered probable and can be measured reliably. Such provisions are recognized in other liabilities.

Taxation

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

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

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

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

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

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

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

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

Recognition of income and expenses

Interest income and expenses are recognized in the statement of comprehensive income on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized value of a financial asset or financial liability and allocating interest income and interest costs to the relevant period.

Effective interest rate is the discount rate for estimated future cash payments or receipts for the expected term of the financial instrument, or for a shorter period, up to a net value of the financial asset or financial liability recognized in the statement of financial position.

When calculating the effective interest rate, the Bank evaluates cash flows taking into account all contractual terms for the financial instrument but does not take into account future losses on loans. Such calculation includes all fees and commissions paid and received by the parties to the contract, which form an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

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

Commission income and expense. All other fees, commissions and other items of income and expense are generally recorded on an accrual basis over the period during which the services are provided as a customer and both receive and consume the benefits of the Bank's performance, generally on a straight-line basis.

The Bank considers whether there are separate circumstances in the contract for which a part of the transaction price should be allocated. When determining the transaction price, the Bank takes into account the impact of variable compensation, a significant financing component available, non-monetary compensation and compensation payable to the client. As a rule, the Bank agreements do not contain the above components, nevertheless, the Bank regularly analyzes agreements for relevant components and makes the appropriate adjustments, if necessary.

An agreement with a customer, the result of which is a recognized financial instrument in the financial statements of the Bank, may be partially within the scope of IFRS 9 and partially within the scope of IFRS 15. In this case, the Bank first applies IFRS 9 to separate and evaluate the part of the contract that falls within the scope of IFRS 9, and then applies IFRS 15 to the remainder of this agreement.

Foreign exchange transactions

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

The difference between the contractual exchange rate for a transaction in foreign currency and the official rate of the National Bank at the date of such transaction is included in net income from transactions in foreign currency.

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

Non-monetary assets and liabilities, recognized at historical value in foreign currency, are translated at the exchange rate of the National Bank effective on the date of acquisition.

Foreign exchange differences arising from monetary financial assets in foreign currencies that are measured at fair value are included in foreign currency revaluation gains and losses.

Exchange differences arising from non-monetary assets and liabilities at fair value through profit or loss are recognized as part of gains and losses on revaluation at fair value. Foreign exchange differences on non-cash financial assets available for sale are credited to equity in the revaluation reserve for financial assets available for sale.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts:

	31 December 2022	31 December 2021
Correspondent accounts and overnight deposits in financial organizations	36,137	21,198
Balances on current accounts with the National Bank (other than mandatory reserves)	16,956	9,866
Cash	27,305	10,722
Term interbank deposits placed for 90 days or less	3,369	767
Total cash and cash equivalents	**83,767**	**42,553**
Less allowance for impairment	(1,592)	(159)
Total net cash and cash equivalents	**82,175**	**42,394**

As at 31 December 2022 and 31 December 2021 cash and cash equivalents have been placed in the National Bank and other resident banks of the Republic of Belarus, as well as non-resident banks of the Republic of Belarus with a credit rating «B+», «B-», «CCC» or no credit rating.

As at 31 December 2022 the correspondent network of the Bank includes 55 Nostro accounts in foreign currency (as at 31 December 2021 — 50 accounts).

As at 31 December 2022 and 31 December 2021 the Bank had no balances on correspondent accounts and overnight deposits with other banks which exceeded 10% of the Bank's capital.

There are no funds blocked and (or) restricted for use.

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

	2022				2021
	12-month period of loss	Period of loss for the whole term — not impaired	Period of loss for the whole term — impaired	Total	Total
Provision for cash equivalents					
Balance as at 31 December	(159)	-	-	(159)	(460)
(Accrual) / recovery of an allowance	(1,222)	(211)	-	(1,433)	301
Balance as at 31 December	**(1,381)**	**(211)**	**-**	**(1,592)**	**(159)**

7. DUE FROM BANKS

	31 December 2022	31 December 2021
Obligatory provisions in the National Bank of the Republic of Belarus	1,484	1,423
Unimpaired and non-overdue loans and other amounts due from financial institutions	31,707	12,896
Total amounts due from banks	**33,191**	**14,319**
Less allowance for impairment	(4,433)	(119)
Total net amounts due from banks	**28,758**	**14,200**

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

	2022				2021
	12-month period of loss	**Period of loss for the whole term — not impaired**	**Period of loss for the whole term — impaired**	**Total**	**Total**
Provision for amounts due from banks					
Balance as at 31 December	(119)	-	-	(119)	(163)
(Accrual) / recovery of an allowance	(140)	(4,174)	-	(4,314)	44
Balance as at 31 December	**(259)**	**(4,174)**	**-**	**(4,433)**	**(119)**

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

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

As at 31 December 2022 and 31 December 2021 amounts due from banks included guarantee deposits placed by the Bank in JSC "ASB Belarusbank" for operations with letters of credit and bank payment cards in the amount of 1,563 thousand Belarusian rubles and 2,435 thousand Belarusian rubles, respectively, and JSC "Belarusian Currency and Stock Exchange" as a contribution to the guarantee fund of the foreign exchange market of the Republic of Belarus in the amount of 100 thousand Belarusian rubles as at 31 December 2022 and 31 December 2021.

There are no blocked funds in banks.

b) Concentration of amounts due from banks

As at 31 December 2022 and 31 December 2021, the Bank had no balances in financial organizations exceeding 10% of the capital of the Bank.

8. LOANS TO CUSTOMERS

	31 December 2022	31 December 2021
Loans to corporate customers	75,339	78,904
Loans to individuals	42,129	51,655
Total loans to customers	**117,468**	**130,559**
Less allowance for impairment	(4,412)	(2,698)
Total net loans to customers	**113,056**	**127,861**

Quality of loans to corporate customers

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

as at 31 December 2022

	12-month period of loss	Period of loss for the whole term — not impaired	Period of loss for the whole term — impaired	31 December 2022
Loans to corporate customers				
Amount of loans	63,357	8,720	3,262	75,339
Allowance for impairment	(300)	(1,298)	(2,418)	(4,016)
Book value	63,057	7,422	844	71,323

as at 31 December 2021

	12-month period of loss	Period of loss for the whole term — not impaired	Period of loss for the whole term — impaired	31 December 2021
Loans to corporate customers				
Amount of loans	74,657	2,831	1,416	78,904
Allowance for impairment	(6)	(1,284)	(913)	(2,203)
Book value	74,651	1,547	503	76,701

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

The table below provides the analysis of loans to corporate customers by types of collateral as at 31 December 2022 and 31 December 2021:

	31 December 2022	Share in the loan portfolio, %	31 December 2021	Share in the loan portfolio, %
Real estate	16,786	22.28%	28,415	36.01%
Other collateral	27,730	36.81%	14,070	17.83%
Guarantees	10,301	13.67%	17,239	21.85%
Equipment and vehicles	6,831	9.07%	13,534	17.15%
Unsecured loans	13,691	18.17%	5,646	7.15%
Total loans to corporate customers	**75,339**	**100.00%**	**78,904**	**100.0%**

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

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

	31 December 2022	31 December 2021
Unexpired	72,258	78,278
Overdue less than 1 year	3,081	626
Total loans to corporate customers	**75,339**	**78,904**

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

	31 December 2022	31 December 2021
Credit line, including:	63,303	63,930
Revolving credit line	*30,729*	*30,616*
Non-revolving credit line	*32,574*	*33,314*
One-time loan	12,036	14,974
Total loans to customers	**75,339**	**78 904**

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

	31 December 2022	Share in the loan portfolio, %	31 December 2021	Share in the loan portfolio, %
Wholesale and retail trade, car and motorcycle repair	27,937	37.08%	19,026	24.11%
Manufacturing	15,445	20.50%	26,645	33.77%
Operations with real estate	2,958	3.93%	2,561	3.25%
Construction	2,138	2.84%	1,415	1.79%
Transportation, warehousing, postal and courier activities	985	1.31%	1,346	1.71%
Agriculture, forestry and fisheries	34	0.05%	58	0.07%
Other	25,842	34.30%	27,853	35.30%
Total loans to corporate customers	**75,339**	**100.00%**	**78,904**	**100.00%**

Quality of loans to individuals

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

as at 31 December 2022

	12-month period of loss	Period of loss for the whole term — not impaired	Period of loss for the whole term — impaired	31 December 2022
Loans to individuals				
Amount of loans	41,168	477	484	**42,129**
Allowance for impairment	(4)	(114)	(278)	**(396)**
Book value	**41,164**	**363**	**206**	**41,733**

as at 31 December 2021

	12-month period of loss	Period of loss for the whole term — not impaired	Period of loss for the whole term — impaired	31 December 2021
Loans to individuals				
Amount of loans	50,784	478	393	**51,655**
Allowance for impairment	(1)	(205)	(289)	**(495)**
Book value	**50,773**	**273**	**104**	**51,160**

All loans to individuals were impaired on a collective basis.

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

	31 December 2022	31 December 2021
Loans secured by penalties and guarantees	42,050	51,558
Loans secured by pledge of vehicles	58	71
Loans secured by pledge of property	21	26
Total loans to customers	**42,129**	**51,655**

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

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

	31 December 2022	31 December 2021
Unexpired	41,652	51,157
Overdue less than 1 month	50	35
Overdue from 1 to 6 month	322	463
Overdue from 6 month to 1 year	105	-
Total loans to individuals	**42,129**	**51,655**

Loan impairment

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

	2022				2021
	12-month period of loss	Period of loss for the whole term — not impaired	Period of loss for the whole term — impaired	Total	Total
Allowance on loans to customers					
Balance as at 31 December	(6)	(1,488)	(1,204)	(2,698)	(1,999)
(Accrual) / recovery of an allowance	(298)	76	(3,769)	(3,991)	(319)
Write-off	-	-	2 277	2,277	(380)
Balance as at 31 December	(304)	(1,412)	(2,696)	(4,412)	(2,698)

Significant credit exposures

As at 31 December 2022 and 31 December 2021, the Bank had one and one corporate borrowers, respectively, with loan debt exceeding 10% of the Bank's capital. The total value of these loans as at 31 December 2022 and 31 December 2021 was 8,389 thousand rubles and 12,846 thousand rubles, respectively.

Maximum exposure to credit risk

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

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

	31 December 2022	31 December 2021
Derivative financial assets	-	74
Total financial assets measured at fair value through profit or loss	-	74

The balance at the beginning of the reporting period for derivative financial assets amounts to 74 thousand rubles, the balance as at 31 December 2022 is zero.

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

Investments in equity securities (shares) as at 31 December 2022 and 31 December 2021 are as follows:

Name	Type of activity	Country of registration	Share in the share capital	31 December 2022	31 December 2021
JV "Venbelcom S.A."	Foreign trade activity	Venezuela	19,60	26	26
JV "MAZ-MAN"	Manufacturing	Republic of Belarus	7,37	8	8
JSV "Belzarubezhstroy"	Construction	Republic of Belarus	10,00	-	-
Total				34	34

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

Signs that the cost may not reflect fair value include, among other things, a significant change in the performance of the investee. As at 31 December 2022 and 31 December 2021, the fair value of the equity instrument of JSV “Belzarubezhstroy” amounted to zero rubles (as at the reporting date, the issuer worked with negative net assets).

After the reporting date (12 January 2023), the transaction for the sale of long-term financial investments in the authorized capital of the JV MAZ-MAN was completed. The Bank sold all the shares of the above company. Gain from the transaction amounted to 275 thousand rubles.

In 2022-2021 the Bank received insignificant dividends.

Investments in debt securities as at 31 December 2022 and 31 December 2021 are presented as follows:

	Average rate	Maturity and currency	31 December 2022	31 December 2021
Bonds issued by republican state administrative bodies	4,38%	2028, USD	-	14,096
Bonds issued by republican state administrative bodies	3,70%	2024, EUR	-	5,672
Bonds issued by resident banks	10,00%	2022, BYN	-	4,778
Bonds issued by commercial organization	7,50%	2028, USD	-	6,265
Bonds issued by commercial organization	14,67%	2022, BYN	-	544
Interest income on bonds accrued			-	647
Total investments in debt securities			-	**32,002**

In 2022, the above bonds were reclassified to the group of securities measured at amortized cost (see Note 11 "Securities measured at amortized cost")

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

Due to the reclassification, the amount of the reserve has been restored. Information on the reserve created in 2022 is presented in Note 11 "Securities measured at amortized cost".

	2022				2021
	12-month period of loss	**Period of loss for the whole term — not impaired**	**Period of loss for the whole term — impaired**	**Total**	**Total**
Allowance for financial assets measured at fair value through other comprehensive income					
Balance as at 31 December	(1,120)	-	-	(1,120)	(1,312)
(Accrual) / recovery of an allowance	1,120	-	-	1,120	192
Balance as at 31 December	-	-	-	-	(1,120)

11. SECURITIES MEASURED AT AMORTIZED COST

During the reporting year, the Bank decided to reclassify securities (minutes of the Finance Committee dated 17 March 2022) carried at fair value through other comprehensive income and transfer them to the group of securities measured at amortized cost. From 1 April 2022, the Bank decided to apply Business Model 1, which provides for holding bonds of the Ministry of Finance of the Republic of Belarus until maturity and receiving payments in the form of repayments stipulated by the terms of issue and interest amounts (coupons). The change in the business model is due to the following factors: the downgrade of the long-term credit rating of the Republic of Belarus, the introduction of international sanctions, the decline in investor interest in investments in government securities.

The amount of reclassification amounted to 32,002 thousand rubles. The movement is presented as follows:

	31 December 2022	31 December 2021
Balance at the beginning	-	-
Reclassification from financial assets measured at fair value through other comprehensive income	32,002	-
Acquisition	14,124	-
Disposal	(24,979)	-
Interest accrued	92	-
Balance at the end	**21,239**	-

The balance of securities measured at amortized cost is as follows:

	31 December 2022	31 December 2021
Debt securities held to maturity	21,239	-
Total securities measured at amortized cost	**21,239**	-
Less allowance for impairment	(135)	-
Total net securities measured at amortized cost	**21,104**	-

Information on the type of securities, interest rate, currency and maturity is presented below.

	Averaged rate	Term of circulation and currency	31 December 2022	31 December 2021
Bonds issued by republican government bodies	4.60%	2028 USD	15,091	-
Bonds issued by commercial entities	6.90%	2028 USD	5,465	-
Bonds issued by commercial entities	13.50%	2025 BYN	440	-
Accrued interest income on bonds			243	-
Total investments in debt securities			21.239	-

The table below provides information on the credit quality of securities measured at amortized cost.

	2022				2021
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Provision for securities measured at amortized cost					
Balance as at 31 December	-	-	-	-	-
Provision accrual	(135)	-	-	(135)	-
Balance as at 31 December	(135)	-	-	(135)	-

12. INVESTMENT PROPERTY

The movement of investment property for the year ended 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021
Initial cost		
Balance as at 1 January	267	267
Acquisition	-	-
Disposal	(15)	(15)
Internal transfer	(252)	15
Balance as at 31 December	-	267
Accumulated depreciation		
Balance as at 1 January	(19)	(15)
Acquisition	(3)	(4)
Disposal	22	-
Balance as at 31 December	-	(19)
Net book value as at 31 December	-	248

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

	Year ended 31 December 2022	Year ended 31 December 2021
Rental income from investment property	11	15
Total income for the period	11	15

As at 31 December 2021, investment real estate included items that the Bank leased.

In 2022 and 2021, the Bank had no restrictions on the feasibility of its investment property, as well as any contractual liabilities to acquire, construct or build investment property objects, repair, maintain or improve them.

13. PROPERTY FOR SALE

The movement of property for sale for the years ended 31 December 2022 and 31 December 2021 is as follows:

	31 December 2022	31 December 2021
Balance as at 1 January	2	-
Acquisition	-	2
Disposal	(2)	-
Internal transfer	230	-
Balance as at 31 December	**230**	**2**

In 2022, the property for sale included real estate (administrative premises and parking spaces), reclassified in connection with the intention of selling from investment real estate to property for sale.

In 2022 the Bank carried out an impairment test, as a result of which no signs of impairment of property for sale were identified.

14. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

The following is the information on the movement of property and equipment for the year ended 31 December 2022:

	Buildings and structures	Vehicles	Office and computer equipment, other	Intangible assets	Investments in intangible assets	Total
Initial cost						
Balance as at 31 December 2021	13,417	315	4,401	7,833	27	**25,933**
Acquisition	-	-	134	1,425	81	**1,640**
including modernization	-	-	*69*	*3*	-	***72***
Disposal	(219)	(93)	(676)	(325)	(58)	**(1,371)**
Balance as at 31 December 2022	**13,198**	**222**	**3,859**	**8,933**	**50**	**26,262**
Accumulated depreciation						
Balance as at 31 December 2021	(3,865)	(314)	(2,876)	(4,317)	-	**(11,372)**
Accrued for the year	(221)	(1)	(460)	(1,129)	-	**(1,811)**
Disposal	76	93	549	288	-	**1,006**
Balance as at 31 December 2022	**(4,010)**	**(222)**	**(2,787)**	**(5,158)**	**-**	**(12,177)**
Residual value as at 31 December 2021	**9,552**	**1**	**1,525**	**3,516**	**27**	**14,621**
Residual value as at 31 December 2022	**9,188**	**-**	**1,072**	**3,775**	**50**	**14,085**

As at the year ended 31 December 2022, the cost of fully depreciated property and equipment and amortized intangible assets that continue to be used by the Bank amounts to 1,930 thousand rubles.

The following is the information on the movement of property and equipment for the year ended 31 December 2021:

	Buildings and structures	Vehicles	Office and computer equipment, other	Intangible assets	Investments in intangible assets	Total
Initial cost						
Balance as at 31 December 2020	13,152	315	3,959	6,218	26	23,910
Acquisition	266	-	971	1,657	2,655	5,549
including modernization	*266*	-	*37*	-	-	*303*
Disposal	(1)	-	(529)	(42)	(2,894)	(3,466)
Balance as at 31 December 2021	**13,417**	**315**	**4,401**	**7,833**	**27**	**25,993**
Accumulated depreciation						
Balance as at 31 December 2020	(3,645)	(313)	(2,970)	(3,273)	-	(10,201)
Accrued for the year	(221)	(1)	(422)	(1,086)	-	(1,730)
Disposal	1	-	516	42	-	559
Balance as at 31 December 2021	**(3,865)**	**(314)**	**(2,876)**	**(4,317)**	-	**(11,372)**
Residual value as at 31 December 2020	**9,507**	**2**	**989**	**2,945**	**266**	**13,709**
Residual value as at 31 December 2021	**9,507**	**1**	**1,525**	**3,516**	**27**	**14,621**

As at the year ended 31 December 2021, the cost of fully depreciated property and equipment and amortized intangible assets that continue to be used by the Bank amounts to 4,280 thousand rubles.

In 2022 and 2021, the Bank conducted an impairment test, as a result of which no signs of impairment of property and equipment and intangible assets were identified.

15. RIGHT-OF-USE ASSETS

Right-of-use assets are presented as follows:

	Buildings and structures	Balance as at 31 December
Balance as at 31 December 2020	420	420
Acquisition	-	-
Depreciation	(134)	(134)
Disposal	(256)	(256)
Modification	77	77
Balance as at 31 December 2021	107	107
Acquisition	-	-
Depreciation	(131)	(131)
Disposal	(2)	(2)
Modification	88	88
Balance as at 31 December 2022	62	62

16. OTHER ASSETS

	31 December 2022	31 December 2021
Accrued commission income	398	683
Accrued lease income	42	41
Allowance for unearned income	(345)	(357)
Receivables	188	151
Allowance for covering possible losses on accounts receivable from economic activities	(26)	(3)
Total other financial assets	**257**	**515**
Property transferred to the Bank as repayment of debt	2,202	2,169
Taxes prepaid	1,205	2,542
Prepayments on capital investments	334	94
Advance payments	155	194
Other	-	4
Allowance for the impairment of inventories	(1,065)	(874)
Total other non-financial assets	**2,831**	**4,129**
Total other assets	**3,088**	**4,644**

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

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

	2022				2021
	12-month period of loss	**Period of loss for the whole term — not impaired**	**Period of loss for the whole term — impaired**	**Total**	**Total**
Allowance for other financial assets					
Balance as at 31 December	(360)	-		(360)	(590)
(Accrual) / recovery of an allowance	(11)	-	(1,528)	(1,539)	230
Restoration of the reserve	-	-	1,528	1,528	-
Balance as at 31 December	(371)	-	-	(371)	(360)

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

	2022	2021
Allowance for the impairment of inventories		
Balance as at 1 January	(874)	(830)
Recovery of an allowance	(191)	(44)
Balance as at 31 December	**(1,065)**	**(874)**

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

17. DUE TO BANKS

	31 December 2022	31 December 2021
Correspondent accounts of banks	1,799	3,187
Loans and deposits from other banks	6,254	11,463
Accrued interest expenses on other passive transactions with other banks	6	8
Total amounts due to banks	**8,059**	**14,658**

As at 31 December 2022 and 31 December 2021, the Bank had no balances of banks exceeding 10% of the capital of the Bank.

18. DUE TO CUSTOMERS

	31 December 2022	31 December 2021
Legal entities		
- time deposits	51,816	37,008
- current (settlement) accounts	76,332	44,688
Individuals		
- time deposits	34,839	52,893
- current (settlement) accounts	8,265	7,365
Total amounts due to customers	**171,252**	**141,954**

As at 31 December 2022 and 31 December 2021, the Bank had no balances of customer funds exceeding 10% of the capital of the Bank.

19. DEBT SECURITIES ISSUED

	Issue	Maturity	% rate	31 December 2022	31 December 2021
Bonds denominated in foreign currency	13	30.09.2027	2.50%	637	93
BYN-denominated bonds	10	22.03.2023	10.57%	1,841	148
BYN-denominated bonds	11	20.04.2023	11.00%	3,885	2,078
BYN-denominated bonds	12	25.10.2023	11.00%	4,704	10,223
TOTAL				11,067	12,542

The information on changes in liabilities related to the financial activities of the Bank as at 31 December 2022 and 31 December 2021 is presented below:

	Debt securities issued
Book value as at 31 December 2020	**13,660**
Acquisition	30,299
Repayment	(31,271)
Interest paid	(2,747)
Foreign exchange differences	4
Interest accrued	2,597
Book value as at 31 December 2021	**12,542**
Acquisition	13,161
Repayment	(14,896)
Interest paid	(1,617)
Foreign exchange differences	259
Interest accrued	1,618
Book value as at 31 December 2022	**11,067**

20. LEASE LIABILITIES

Information on changes in the carrying amount of lease liabilities in cases where the Bank acts as a lessee for 2022 and 2021 is presented as follows:

	Buildings and structures	Total
Balance as at 31 December 2020	**420**	**420**
Acquisition	-	-
Interest expenses	8	8
Repayment	(148)	(148)
Foreign exchange differences	(15)	(15)
Disposal	(238)	(238)
Modification	77	77
Balance as at 31 December 2021	**104**	**104**
Acquisition	-	-
Interest expenses	7	7
Repayment	(130)	(130)
Foreign exchange differences	(6)	(6)
Disposal	(2)	(2)
Modification	88	88
Balance as at 31 December 2022	**61**	**61**

21. SUBORDINATED LOANS

In June 2015 the Bank received a subordinated loan from the shareholder company Alm Investments FZE in the amount of 3,500,000 and 4,500,000 US dollars. The maturity date in accordance with the agreement is 30 June 2028.

At the reporting date the Bank's balance sheet includes balances of subordinated loans in the amount of 2,304 thousand US dollars and 4,500 thousand US dollars, respectively.

Interest expenses on subordinated loans in 2022 amounted to 872 thousand rubles in equivalent.

In accordance with the contractual terms the creditor shall not meet its requirements to the borrower before meeting requirements of other creditors in full.

The information on changes in liabilities related to the financial activities of the Bank as at 31 December 2022 and 31 December 2021 is presented below:

	Subordinated loans
Book value as at 31 December 2020	**17,548**
Foreign exchange differences	(210)
Book value as at 31 December 2021	**17,338**
Foreign exchange differences	1,282
Book value as at 31 December 2022	**18,620**

22. FINANCIAL LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2022	31 December 2021
Derivative financial liabilities	-	69
Total financial liabilities measured at fair value through profit or loss	-	**69**

The balance at the beginning of the reporting period for derivative financial liabilities amounts to 69 thousand rubles, the balance as at 31 December 2022 is zero.

23. OTHER LIABILITIES

	31 December 2022	31 December 2021
Accrued commission expenses	1,384	375
Other payables	765	732
Other operating expenses accrued	224	108
Other banking services expenses accrued	16	14
Income of future periods	9	10
Total other financial liabilities	**2,398**	**1,239**
Provision for unpaid leave	1,149	958
Tax accruals	739	1,479
Deductions to the Individuals' Deposit Guarantee Fund	45	90
Allowance for credit related commitments	301	3
Total other non-financial liabilities	**2,247**	**2,529**
Total other liabilities	**4,645**	**3,768**

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

24. EQUITY

As at 31 December 2022 and 31 December 2021, the announced, issued and fully paid share capital was presented as follows:

	31 December 2022	31 December 2021
Number of ordinary shares	14,662	14,662
Nominal value of 1 share, rubles	*2,455*	*2,455*
Nominal value of shares	35,988	35,988
Hyperinflation effect	37,651	37,651
Total share capital	**73,639**	**73,639**

In 2022, no investments were made in the Bank's share capital.

As at 31 December 2022 and 31 December 2021, all ordinary registered shares are fully paid, give the right to one vote, as well as the right to receive dividends and participate in net assets. All ordinary registered shares have equal rights with respect to net assets.

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

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

24.1 Basic earnings per ordinary share

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

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

	31 December 2022	31 December 2021
Profit for the period owned by shareholders, thousand rubles	3,136	1,471
Average weighted number of ordinary shares in circulation, pieces	14,662	14,662
Basic earnings per ordinary share, thousand rubles	**0.2139**	**0.1003**

25. NET INTEREST INCOME

	Year ended 31 December 2022	Year ended 31 December 2021
Interest income on financial assets measured at amortized cost, including:	18,629	18,883
On amounts due from banks	*207*	*151*
On loans to customers	*16,972*	*17,302*
On securities measured at amortized cost	*847*	-
On financial assets measured at fair value through other comprehensive income	603	*1,430*
Other interest income	1,509	664
Total interest income	**20,138**	**19,547**

	Year ended 31 December 2022	Year ended 31 December 2021
Interest expenses on financial liabilities measured at amortized cost, including:	(9,034)	(12,336)
On amounts due to banks	*(525)*	*(583)*
On amounts due to customers and subordinated loans	*(8,482)*	*(10,378)*
On own issued securities	*(27)*	*(1,375)*
Interest expenses on lease liability	(7)	(8)
Interest expenses on deposit certificates	(1,234)	-
Other interest expenses	(24)	(66)
Total interest expenses	**(10,299)**	**(12,410)**
Total net interest income	**9,839**	**7,137**

26. NET COMMISSION INCOME

	Year ended 31 December 2022	Year ended 31 December 2021
Commission income		
Commissions on transactions with bank payment cards	12,813	3,980
Commissions on transactions with customers	6,611	7,734
Other	704	305
Total commission income	**20,128**	**12,019**
Commission expenses		
Commissions on transactions with customers	(13,501)	(4,036)
Commissions on transactions with banks	(448)	(164)
Commissions on transactions in AIS "Raschet"	(319)	(582)
Commissions on foreign currency transactions	(113)	(39)
Commissions on securities transactions	(30)	(38)
Other	(851)	(85)
Total commission expenses	**(15,262)**	**(4,944)**
Total net commission income	**4,866**	**7,075**

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

	Year ended 31 December 2022	Year ended 31 December 2021
Gain from transactions with financial assets measured at fair value through profit or loss	48	584
Loss from transactions with financial assets measured at fair value through profit or loss	(845)	(291)
Total net gain from transactions with financial assets measured at fair value through profit or loss	(797)	293

28. NET GAIN FROM OPERATIONS WITH SECURITIES MEASURED AT AMORTIZED COST

	Year ended 31 December 2022	Year ended 31 December 2021
Income from transactions with financial instruments measured at amortized cost	726	179
Expense on transactions with financial instruments measured at amortized cost	(1,002)	(614)
Total net gain from operations with securities measured at amortized cost	(276)	(435)

29. NET GAIN FROM FOREIGN CURRENCY TRANSACTIONS

	Year ended 31 December 2022	Year ended 31 December 2021
Loss from exchange differences	(1,618)	(100)
Profit from foreign currency transactions	18,599	1,973
Total net gain from foreign currency transactions	**16,981**	**1,873**

Net gain on foreign currency transactions in 2022 increased significantly compared to the previous reporting period, mainly due to currency exchange operations in terms of the provision of electronic payment services and the provision of services for conducting transactions with electronic money.

30. NET OTHER INCOME

	Year ended 31 December 2022	Year ended 31 December 2021
Fines received	1,377	1 289
Bonuses and rewards	401	888
Lease proceeds	266	295
Sum differences	135	81
State fees	63	74
Leasing of individuals	34	72
Net loss from disposal of assets	(107)	(128)
Other	89	552
Total other income	**2,258**	**3,123**

31. PERSONNEL EXPENSES

	Year ended 31 December 2022	Year ended 31 December 2021
Bank employee benefits	6,865	6,361
Expenditures on contributions to the Social Protection Fund	2,199	2,033
Total personnel expenses	**9,064**	**8,394**

32. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2022	Year ended 31 December 2021
Professional services	1,887	1,725
Software expenses	835	741
Insurance	785	866
Taxes other than income tax	588	546
Rent, utilities	378	382
Repair and maintenance	295	320
Advertising and marketing	291	119
Deductions to the Guarantee Fund for the Protection of Funds	213	393
Transport expenses	128	142
Communication and information services	111	105
Security	103	95
Other	417	363
Total administrative expenses	**6,031**	**5,797**

33. INCOME TAX EXPENSE

The Bank calculates taxes on the basis of tax accounting, which is conducted in accordance with the tax legislation of the Republic of Belarus, which may differ from IFRSs.

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

During the periods ended 31 December 2022 and 31 December 2021, the republican tax rate for the Banks of the Republic of Belarus was 25%.

Below is a comparison of the theoretical tax expense with the actual tax expenditure for the years ended 31 December 2022 and 31 December 2021:

	Year ended 31 December 2022	Year ended 31 December 2021
Profit before tax	3,929	1,520
Estimated value of income tax at the statutory rate (25%)	982	380
Tax effect of income/ (expenses) not involved in taxation	(99)	(99)
Changes in the amount of the unrecognized deferred tax asset	(1,677)	(331)
Total income tax expense	**(793)**	**(49)**

Income tax expense is presented as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Current income tax expense	(788)	(30)
Deferred income tax expense	(5)	(19)
Total income tax expense	**(793)**	**(49)**

Temporary differences as at 31 December 2022 and 31 December 2021 are presented as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Deductible temporary differences		
Due from banks	4,325	-
Financial assets measured at fair value through other comprehensive income	426	85
Investment property	-	4
Property for sale	4	-
Property and equipment and intangible assets	6,151	6,794
Right-of-use assets	61	3
Other assets and liabilities	955	1,747
Total deductible temporary differences	**11,922**	**8,633**
Deferred tax asset at tax rate (25%)	**2,981**	**2,157**
Taxable temporary differences		
Loans to customers, cash and cash equivalents, amounts due from banks	(3,981)	(1,547)
Securities measured at amortized cost	(808)	-
Lease assets and liabilities	(62)	-
Total taxable temporary differences	**(4,851)**	**(1,547)**
Deferred tax liability at tax rate (25%)	**(1,213)**	**(386)**
Unrecognized part of the deferred tax asset	(1,768)	(1,772)
Total net tax asset	**-**	**-**

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

	Year ended 31 December 2022	Year ended 31 December 2021
Unrecognized deferred tax asset at the beginning of the year	(1,772)	2,156
Accrued for the year	4	(384)
Unrecognized part of the deferred tax asset	(1,768)	(1,772)
Balance as at 31 December	-	-

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

34. CONTINGENT ASSETS AND LIABILITIES

Credit related commitments

In the course of its operations, The Bank uses financial instruments with off-balance risks to meet the needs of its customers. These instruments, which carry credit risks of varying degrees, are not reflected in the statement of financial position.

The maximum risk of The Bank on conditional financial liabilities and loan liabilities in case of non-performance by the second party under the transaction of its obligations and impairment of all counterclaims and collateral is equivalent to the contractual value of these instruments.

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

The Bank's credit related commitments were as follows:

	31 December 2022	31 December 2021
Unused credit lines	11,189	9,216
Guarantees issued	916	713
Total credit related commitments	**12,105**	**9,929**
Less allowance for credit related commitments	(301)	(3)
Total credit related commitments	**11,804**	**9,926**

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

	2022				2021
	12-month period of loss	Period of loss for the whole term – not impaired	Period of loss for the whole term – impaired	Total	Total
Allowance for credit related commitments					
Balance as at 31 December	(3)	-	-	(3)	(1)
(Accrual) / recovery of an allowance	(298)	-	-	(298)	(2)
Balance as at 31 December	(301)	-	-	(301)	(3)

Legal proceedings

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

Pension payments

Bank employees receive a pension in accordance with the legislation of the Republic of Belarus. As at 31 December 2022 and 31 December 2021, the Bank had no liabilities for additional benefits, pension health care, insurance, pension compensation to current or former staff members that would have been required to be charged.

Legislation

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

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

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

The financial statements presented reflect management's view of the impact of the business environment in the Republic of Belarus on the operations and financial position of The Bank. The actual impact of future business conditions may differ from management's estimates.

35. OPERATING SEGMENTS OF THE BANK

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

The Bank has 4 main segments in its operating segments:

1. Retail banking business. At the moment the Bank provides its customers with universal banking, including a full range of products and services most demanded by private individuals: lending, settlement and cash services, currency exchange operations, deposit operations, operations with precious metals and gemstones, issue and maintenance of bank payment cards, money transfers, leasing of safes and depository cells. The priority of the Bank in this operating segment in 2021 was a prompt response to rapidly changing market conditions and the adaptation of the product line to the current market situation, fully and comprehensively meeting customer needs. To maintain the client base, the Bank operated credit products that ensure more favorable lending terms for customers who applied to the Bank for a loan again.

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

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

4. ***Electronic money and services, in terms of the provision of electronic payment services and the provision of services for conducting transactions with electronic money***. The operating segment includes: distribution of electronic money (QIWI, iPay) through payment terminals in exchange for cash or non-cash funds; provision of electronic services to customers for accepting payments in favor of foreign providers through AIS "Settlement"; cross-border payments for the payment of services of Belarusian providers, through AIS "Settlement"; transfers to bank payment systems cards of banks of the Russian Federation, banks of the Republic of Belarus.

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

Since 2022, in addition to the above segments, the operating segment "Electronic Money and Services" is allocated, classified by the Bank as a reportable by the amount of income of the operating segment.

The difficult geopolitical and, as a result, macroeconomic situation that developed at the beginning of 2022 seriously affected the functioning of the banking system as a whole. The volatility of the market, the influence of external factors was seriously felt in each of the operating segments, and caused the need for the Bank to restructure its product lines and develop the most popular areas of banking services on the market. In this sense, the work done by the Bank on the development of electronic services products was very much in demand and effective.

In connection with the allocation of a new operating segment by the Bank for comparative information, segment data for 2021 has been recalculated and indicated taking into account the "Electronic Money and Services" available in the structure of the operating segment.

As at 31 December 2022:

Key indicators	Retail business	Corporate business	Treasury	Electronic money and services	Unallocated part	Total
Assets and liabilities						
Cash and cash equivalents; amounts due to banks; loans to customers; investment property; property and equipment and intangible assets; right-of-use assets	69,034	80,091	96,002	-	14,377	**259,504**
Amounts due to banks; amounts due to customers; debt securities issued; subordinated loans; lease liabilities; financial liabilities measured at fair value through profit or loss	42,281	154,845	8,059	3,813	61	**209,059**
Other assets	-	-	-	-	3 088	**3,088**
Other liabilities	-	-	-	-	4 645	**4,645**

Key indicators	Retail business	Corporate business	Treasury	Electronic money and services	Unallocated part	Total
Income and expenses						
Interest income	7,913	9,829	2,396	-	-	20,138
Interest expenses	(5,018)	(2,992)	(2,289)	-	-	(10,299)
Commission income	4 043	2,255	20	13,810	-	20,128
Commission expenses	(1,022)	(304)	(101)	(13,855)	-	(15,262)
Net gain on operations with securities measured at amortized cost	-	-	(276)	-	-	(276)
Net income on foreign exchange	-	-	5,774	11,207	-	16,981
Net gain from transactions with financial assets measured at fair value through profit or loss	-	-	(797)	-	-	(797)
Net (accrual) / recovery of other allowances, net (accrual) / recovery of the allowance for impairment of financial assets, credit related commitments and inventories	60	(2,280)	(5,882)	-	(3,800)	(11,902)
Other income	2	-	-	-	2,256	2,258
Personnel expenses, amortization/ depreciation, administrative expenses	(1,022)	-	-	(222)	(15,796)	(17,040)
Financial result	4,976	6,508	(1,155)	10,940	(17,340)	3,929

As at 31 December 2021:

Key indicators	Retail business	Corporate business	Treasury	Electronic money and services	Unallocated part	Total
Assets and liabilities						
Cash and cash equivalents; amounts due to banks; loans to customers; investment property; property and equipment and intangible assets; right-of-use assets	61,881	100,224	54,460	-	14,976	231,541
Amounts due to banks; amounts due to customers; debt securities issued; subordinated loans; lease liabilities; financial liabilities measured at fair value through profit or loss	59,433	110,045	14,658	2,425	104	186,665
Other assets	-	-	-	-	4,644	4,644
Other liabilities	-	-	-	-	3,768	3,768
Income and expenses						
Interest income	8,658	8,760	2,129	-	-	19,547
Interest expenses	(6,141)	(3,908)	(2,361)	-	-	(12,410)
Commission income	5,708	2,229	5	4,077	-	12,019
Commission expenses	(1,121)	-	(84)	(3,739)	-	(4,944)
Net gain on operations with securities measured at amortized cost			(435)	-		(435)
Net income on foreign exchange	-	-	1,236	637	-	1,873
Net gain from transactions with financial assets measured at fair value through profit or loss	-	-	293	-	-	293
Net (accrual) / recovery of other allowances, net (accrual) / recovery of the allowance for impairment of financial assets, credit related commitments and inventories	130	(1,151)	153	-	(619)	(1,487)
Other income	-	-	-	-	3,123	3,123
Personnel expenses, amortization/ depreciation, administrative expenses	(915)	-	-	(177)	(14,967)	(16,059)
Financial result	6,320	5,930	937	797	(12,463)	1,520

36. RISK MANAGEMENT

The Bank manages risks in relation to financial risks (credit, market, country, currency risks, liquidity and interest rate risks), as well as operational risks.

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

Credit risk

Credit risk is the risk that the Bank will incur a loss or will not receive the expected income because its counterparty fails to discharge its contractual or statutory financial or other property obligations to the Bank, or discharged them in an untimely fashion or not in full.

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

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

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

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

(a) providing loans and borrowings to customers and placing deposits in other organizations. In these cases, the maximum credit risk is equal to the value of the relevant financial assets, as presented in the statement of financial position;
(b) the conclusion of contracts on derivative financial instruments, for example, foreign exchange contracts. The maximum credit risk at the end of the reporting period will be equal to the value as presented in the statement of financial position;
(c) provision of financial guarantees. In this case, the maximum credit risk is equal to the maximum amount that the Bank can pay if the guarantee is executed;
(d) the provision of a lending liability that is not subject to cancellation during the term of the validity or is canceled only as a result of a material adverse change. If the issuer is unable to fulfill the loan liabilities using cash or other financial instruments, the maximum credit risk is equal to the full amount of the liability.

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

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

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

The table below shows an analysis of financial assets by credit quality in accordance with the established credit rating (see Note 3 "Basis of preparation of financial statements") as at 31 December 2022.

31 December 2022	from AAA to A-	from BBB+ to BBB-	from BB+ to B-	CCC and lower	Credit rating not assigned	Total
Financial assets						
Cash and cash equivalents (net of cash on hand)	-	-	45,305	5,406	4,159	54,870
Due from banks	-	-	19,361	9,297	100	28,758
Loans to customers	-	-	-	-	113,056	113,056
Financial assets measured at fair value through profit or loss	-	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	-	-	-	34	34
Securities measured at amortized cost	-	-	15,034	-	6,070	21,104
Other financial assets	-	-	-	-	257	257
Total financial assets	-	-	79,700	14,703	123,676	218,079

The table below shows the analysis of financial assets by loan quality in accordance with the availability of ratings of international rating agencies Standard&Poor's and Fitch as at 31 December 2021.

31 December 2021	from AAA to A-	from BBB+ to BBB-	from BB+ to B-	CCC and lower	Credit rating not assigned	Total
Financial assets						
Cash and cash equivalents (net of cash on hand)	-	421	26,301	-	4,950	**31,672**
Due from banks	-	-	6,699	-	7,501	**14,200**
Loans to customers	-	-	-	-	127,861	**127,861**
Financial assets measured at fair value through profit or loss	-	-	-	-	74	**74**
Financial assets measured at fair value through other comprehensive income	-	-	20,058	-	11,978	**32,036**
Securities measured at amortized cost	-	-	-	-	-	-
Other financial assets	-	-	-	-	515	**515**
Total financial assets	**-**	**421**	**53,058**	**-**	**152,879**	**206,358**

Market risk

Market risk is the risk of the Bank's losses, non-receipt of planned income from changes in the value of balance sheet and off-balance sheet positions related to the trading portfolio, as well as positions denominated in foreign currency and goods due to changes in market prices of financial instruments and goods caused by changes in foreign exchange rates, market interest rates and other factors. Market risk includes the interest rate risk of the trading portfolio, stock, currency and commodity risks.

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

Country risk

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

The following is a geographical analysis of the assets and liabilities of the Bank as at 31 December 2022:

31 December 2022	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	81,243	-	932	82,175
Due from banks	15,520	-	13,238	28,758
Loans to customers	111,244	-	1,812	113,056
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at fair value through other comprehensive income	34	-	-	34
Securities measured at amort. cost	21,104	-	-	21,104
Other financial assets	257	-	-	257
Total financial assets	**229,402**	**-**	**15,982**	**245,384**
Financial liabilities				
Due to banks	4,888	1,372	1,799	8,059
Due to customers	154,384	-	16,868	171,252
Debt securities issued	11,067	-	-	11,067
Lease liabilities	61	-	-	61
Subordinated loans	-	-	18,620	18,620
Financial liabilities measured at fair value through profit or loss	-	-	-	-
Other financial liabilities	2,398	-	-	2,389
Total financial liabilities	**172,798**	**1,372**	**37,287**	**211,457**
Net balance sheet position	**56,604**	**(1,372)**	**(21,305)**	**33,927**

The following is a geographical analysis of the assets and liabilities of the Bank as at 31 December 2021:

31 December 2021	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	37,406	-	4,988	42,394
Due from banks	14,200	-	-	14,200
Loans to customers	126,049	-	1,812	127,861
Financial assets measured at fair value through profit or loss	74	-	-	74
Financial assets measured at fair value through other comprehensive income	32,036	-	-	32,036
Securities measured at amort. cost	-	-	-	-
Other financial assets	515	-	-	515
Total financial assets	**210,313**	**-**	**6,800**	**217,080**
Financial liabilities				
Due to banks	10,569	1,899	2,190	14,658
Due to customers	125,086	-	16,868	141,954
Debt securities issued	12,542	-	-	12,542
Lease liabilities	104	-	-	104
Subordinated loans	-	-	17,338	17,338
Financial liabilities measured at fair value through profit or loss	69	-	-	69
Other financial liabilities	1,239	-	-	1,239
Total financial liabilities	**149,609**	**1,899**	**36,396**	**187,904**
Net balance sheet position	**60,701**	**(1,899)**	**(29,596)**	**29,176**

Currency risk

Currency risk is the probability of the Bank's losses, non-receipt of planned income from changes in the value of the Bank's balance sheet and off-balance sheet positions denominated in foreign currency due to changes in foreign exchange rates.

The Risk Management Department analyzes the state of the Bank's open currency position and its dynamics, the financial result obtained from currency exchange operations, assesses the impact of currency risk on the amount of regulatory capital, and predicts the level of currency risk by calculating VaR indicators. While stress testing, the Risk Management Department evaluates the impact of a given change in the exchange rate of foreign currencies on the Bank's currency position, as well as on the adequacy of the Bank's regulatory capital.

The table below provides an analysis of the currency risk of the Bank as at 31 December 2022. The assets and liabilities of the Bank are reflected in the table of value reflected in the statement of financial position by principal currencies:

31 December 2022	BYN	EUR	USD	Other currencies	Total
Financial assets					
Cash and cash equivalents	24,739	5,453	44,411	7,572	82,175
Due from banks	14,419	-	1,510	12,829	28,758
Loans to customers	71,960	14,849	25,203	1,044	113,056
Financial assets measured at fair value through profit or loss	-	-	-	-	-
Financial assets measured at fair value through other comprehensive income	34	-	-	-	34
Securities measured at amortized cost	427	-	20,677	-	21,104
Other financial assets	257	-	-	-	257
Total financial assets	**111,836**	**20,302**	**91,801**	**21,445**	**245,384**
Financial liabilities					
Due to banks	4,888	2,413	-	758	8,059
Due to customers	58,974	18,165	85,962	8,151	171,252
Debt securities issued	637	-	10,430	-	11,067
Lease liabilities	61	-	-	-	61
Subordinated loans	-	-	18,620	-	18,620
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-
Other financial liabilities	2,391	-	-	7	2,398
Total financial liabilities	**66,951**	**20,578**	**115,012**	**8,916**	**211,457**
Net balance sheet position	**44,885**	**(276)**	**(23,211)**	**12,529**	**33,927**

The table below provides an analysis of financial assets and liabilities of the Bank as at 31 December 2021:

31 December 2021	BYN	EUR	USD	Other currencies	Total
Financial assets					
Cash and cash equivalents	16,389	14,211	9,712	2,082	42,394
Due from banks	11,855	-	2,345	-	14,200
Loans to customers	70,875	17,217	35,001	4,768	127,861
Financial assets measured at fair value through profit or loss	74	-	-	-	74
Financial assets measured at fair value through other comprehensive income	5,693	5,771	20,572	-	32,036
Securities measured at amortized cost	-	-	-	-	-
Other financial assets	515	-	-	-	515
Total financial assets	**105,401**	**37,199**	**67,630**	**6,850**	**217,080**
Financial liabilities					
Due to banks	10,556	4,089	3	-	14,658
Due to customers	58,215	29,933	50,487	3,319	141,954
Debt securities issued	12,449	-	93	-	12,542
Lease liabilities	-	100	4	-	104
Subordinated loans	-	-	17,338	-	17,338
Financial liabilities measured at fair value through profit or loss	69	-	-	-	69
Other financial liabilities	1,120	14	98	7	1,239
Total financial liabilities	**82,419**	**34,136**	**68,023**	**3,326**	**187,904**
Net balance sheet position	**22,982**	**3,063**	**(393)**	**3,524**	**29,209**

The table below presents an analysis of the Bank's sensitivity in 2022 and 2021 to 30% weakening of the national currency rate against the US dollar, Euro and other currencies, respectively. The analysis suggests that other factors, such as interest rates, remain unchanged.

	31 December 2022 30%	31 December 2021 30%
Effect on profit before tax		
USD	(6,963)	(118)
EUR	(83)	919
Other currencies	3,759	1,057
Effect on total income including taxation		
USD	(5,222)	(88)
EUR	(62)	689
Other currencies	2,819	793

Liquidity risk

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.

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

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

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

The Financial Committee carries out the general liquidity management and coordinates the work of the business units, takes actions to minimize the imbalance between assets and liabilities with a floating and fixed interest rate.

Constant monitoring (analysis) of the state of short-term liquidity of the Bank's balance and dynamics of its changes, control over the level of liquidity indicators is carried out with the interaction of all participants of the internal control system in accordance with the powers defined in local regulatory legal acts and administrative documents of the Bank.

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

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

Economic capital is maintained by the Bank at a level sufficient to cover the liquidity risk assumed by the Bank in the course of its activities under standard conditions and to cover unforeseen losses in the event of non-standard (crisis) situations.

The table below show an analysis representing the remaining maturity of financial liabilities calculated for undiscounted cash flows of financial liabilities (principal debt and interest) at the earliest date when the Bank will be obliged to repay the liability as at 31 December 2022 and 31 December 2021.

31 December 2022	Value in the statement of financial position	Undiscounted cash flow	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year
Financial liabilities						
Due to banks	8,059	8,059	8,059	-	-	21,101
Due to customers	171,252	188,616	119,724	10,611	37,180	-
Debt securities issued	11,067	11,067	-	1,841	9,226	-
Lease liabilities	61	62	2	14	46	-
Subordinated loans	18,620	22,933	67	322	395	22,149
Financial liabilities measured at fair value through profit or loss	-	-	-	-	-	-
Other financial liabilities	2,398	2,398	2,398	-	-	-
Total potential future payments on financial liabilities	211,457	233,135	130,250	12,788	46,847	43,250

The table below shows the analysis of financial liabilities due to their maturities as at 31 December 2021:

31 December 2021	Value in the statement of financial position	Undiscounted cash flow	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year
Financial liabilities						
Due to banks	14,658	14,658	14,658	-	-	-
Due to customers	141,954	156,947	120,222	5,440	13,615	17,670
Debt securities issued	12,542	14,912	116	563	691	13,542
Lease liabilities	104	104	2	14	28	60
Subordinated loans	17,338	22,351	63	304	372	21,612
Financial liabilities measured at fair value through profit or loss	69	69	69	-	-	-
Other financial liabilities	1,239	1,239	1,239	-	-	-
Total potential future payments on financial liabilities	187,904	210,280	136,369	6,321	14,706	52,884

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

Interest rate risk

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

The Bank is subject to interest rate risk mainly on loans granted at floating interest rates in amount and for period which differ from the amounts and periods of fund raising at floating interest rates. In practice interest rates, as a rule, are set for a short-term period.

However, although interest rates are mostly fixed in agreements for both financial assets and liabilities they are often reviewed based on mutual agreement in accordance with the current market situation in the short term.

In order to assess the level of interest rate risk, the Bank uses GAP analysis tools, as well as calculates duration indicators, net interest margin and determines the spread of interest rates, and also conducts stress testing.

Cash flow sensitivity analysis to changes in interest rates

A change in the interest rate by 100 basis points as at the reporting date would have increased /(decreased) income before tax and equity by the amounts indicated below. The analysis implies that all other factors remain constant.

	31 December 2022		31 December 2021	
	Interest rates +100 b.p.	Interest rates -100 b.p.	Interest rates +100 b.p.	Interest rates -100 b.p.
Effect on profit before tax				
Floating interest rate instruments	3,226	(3,226)	6,616	(6,616)
Impact on equity				
Floating interest rate instruments	2,419	(2,419)	4,962	(4,962)

Operational risk

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

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

In total, 114 operational incidents were identified and registered in the Bank's Database in 2022, for which potential losses amounted to 707.4 thousand rubles, indirect losses incurred amounted to 0.0 thousand rubles, direct losses incurred – 9.8 thousand rubles.

In order to reduce the level of operational risk, the Bank takes the following measures:

- improving the efficiency of the information security system (including exposure to cyber risk), including through the use of modern software;
- expansion of anti-fraud tools;
- continued work on improving the Bank's IT business processes;
- development of corporate culture and improvement of staff motivation policy, as well as provision of staff professional development.

37. CAPITAL MANAGEMENT

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

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

Requirements of the National Bank for the minimum amount of regulatory capital for 31 December 2022 is 66,660 thousand Belarusian rubles (as at 31 December 2021 - 66,660 thousand Belarusian rubles).

Under the current capital requirements set by National Bank, banks have to maintain a ratio of regulatory capital to risk-weighted assets ("regulatory capital adequacy ratio") above a prescribed minimum level (10%).

The table below presents the regulatory capital based on the Bank's financial information prepared in accordance with the requirements of the national accounting rules:

	31 December 2022	31 December 2021
Basic capital	39,693	37,139
Tier 2 capital	33,960	29,890
Total regulatory capital	**73,653**	**67,029**
Capital adequacy ratio	36.1%	41.8%

38. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recognized at fair value

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

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

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

31 December 2022	Quotes in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets measured at fair value through profit or loss	-	-	-	-
Financial assets measured at fair value through other comprehensive income	-	34	-	34
Financial liabilities measured at fair value through profit or loss	-	-	-	-

31 December 2021	Quotes in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Financial assets measured at fair value through profit or loss	-	74	-	74
Financial assets measured at fair value through other comprehensive income	-	32,036	-	32,036
Financial liabilities measured at fair value through profit or loss	-	69	-	69

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

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

	Book value as at 31.12.2022	Fair value as at 31.12.2022	Book value as at 31.12.2021	Fair value as at 31.12.2021
Financial assets				
Cash and cash equivalents	82,175	82,175	42,394	42,394
Due from banks	28,758	28,758	14,200	14,200
Loans to customers	113,056	118,875	127,861	133,423
Securities measured at amortized cost	21,104	21,104	-	-
Other financial assets	257	257	515	515
Total financial assets	**245,350**	**251,169**	**184,970**	**190,532**
Financial liabilities				
Due to banks	8,059	8,059	14,658	14,658
Due to customers	171,252	171,252	141,954	141,954
Debt securities issued	11,067	11,067	12,542	12,542
Lease liabilities	61	61	17,338	17,338
Subordinated loans	18,620	18,620	104	104
Other financial liabilities	2,398	2,398	1,239	1,239
Total financial liabilities	**211,457**	**211,457**	**187,835**	**187,835**

The techniques and assumptions used in determining the fair value of those financial instruments that are not reflected in these financial statements at fair value are described below.

Assets for which fair value approximates their book value

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

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

Fixed and floating rate financial instruments

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

39. ANALYSIS OF MATURITIES OF ASSETS AND LIABILITIES

The table below presents assets and liabilities by expected maturities:

	2022 Within one year	2022 More than one year	2022 Total	2021 Within one year	2021 More than one year	2021 Total
Assets						
Cash and cash equivalents	82,175	-	82,175	42,394	-	42,394
Due from banks	27,095	1,663	28,758	1,386	12,814	14,200
Loans to customers	31,510	81,546	113,056	34,475	93,386	127,861
Financial assets measured at fair value through profit or loss	-	-	-	74	-	74
Financial assets measured at fair value through other comprehensive income	5,022	4,988	34	5,022	27,014	32,036
Securities measured at amortized cost	21,104	-	21,104	-	-	-
Investment property	-	-	-	-	107	107
Property for sale	230	-	230			
Property and equipment and intangible assets	-	14,085	14,085	-	248	248
Right-of-use assets	-	62	62	-	107	107
Other assets	3,088	-	3,088	-	14,622	14,622
Total assets	170,224	92,368	262,592	87,995	148,191	236,185
Liabilities						
Due to banks				12,767	1,891	14,658
Due to customers	6,693	1,366	8,059	124,856	17,098	141,954
Debt securities issued	148,941	22,311	171,252	-	12,542	12,542
Finance lease debt	-	11,067	11,067	-	-	-
Lease liabilities	61	-	61	104	-	104
Subordinated loans	-	18,620	18,620	-	17,338	17,338
Financial liabilities measured at fair value through profit or loss	-	-	-	69	-	69
Other liabilities	4,645	-	4,645	3,768	-	3,768
Total liabilities	160,340	53,363	213,704	141,564	48,869	190,433
Net long balance sheet position	9,884	39,004	48,888	(53,569)	99,322	45,752

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

40. RELATED PARTIES TRANSACTIONS

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

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

	31 December 2022	31 December 2021
Loans to customers	7,080	8,968
Allowance for impairment on loans to customers	(1,166)	(1)
Total	**5,914**	**8,967**

As at 31 December 2022 loan liabilities to the Bank are owned by UE "Technohimtreid", CJSC "Holography Industry", LLC "Dududki" MKSNRiT", Alm Investment FZE and key management stuff of the Bank.

The following are the funds raised from related parties:

	31 December 2022	31 December 2021
Due to customers	467	124
Subordinated loans	18,620	17,338
Total	**19,087**	**17,462**

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

	31 December 2022	31 December 2021
Interest income	45	12
Interest expenses	(822)	(763)
Total	**(777)**	**(751)**

The composition of the controlling party: legal entities — Joint venture "Intersportproekt" Limited, Joint venture "Saturn-Info" Limited, Alm Investment FZE; CJSC "ViaSETrade", Joint venture "CSP BZS" Limited, UE "Technohimtreid", LLC "Dududki" MKSNRiT", CJSC "Holography Industry",CJSC "Holographic Industry", individuals - members of the Supervisory Board of the Bank, and key management personnel of the Bank.

41. SUBSEQUENT EVENTS

From 31 May 2023 and as of the date of approval of the financial statements for issue, the refinancing rate of the National Bank was 9.75% (as at 31 December 2022, the refinancing rate was 12%, from 23 January 2023 - 11.5%, from 1 March 2023 - 11%, from 3 April 2023 - 10.5%, from 2 May 2023 - 10%).

The official exchange rate of the Belarusian ruble against foreign currencies as of the date of approval of these financial statements for issue is: to the US dollar - 2.9306 rubles for 1 US dollar, to the euro - 3.145 rubles for 1 euro, to the Russian ruble - 3.6419 rubles for 100 Russian rubles.

In June 2023, the international rating agency Moody's lowered the long-term credit status of the issuer of Belarus in national and foreign currencies from the Ca level to the C level, which means a default state and low chances of repayment. In addition, it worsened the country's rating on priority unsecured debts - also from Ca to C.

The Bank continues to monitor the development of the situation in order to timely implement additional measures aimed at ensuring the Bank's sustainable and continuous operations. At the moment, the Management of the Bank is taking all necessary measures to ensure the sustainable operation of the Bank.

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