Reshenie Bank Joint-Stock Company

Financial statements
for the year ended 31 December 2021

June 2022

This document contains 75 pages

CONTENT

Tel.: +375 17 308 74 50
Fax: +375 17 308 74 51
www.bdo.by

BDO LLC
103 Pobediteley ave,
floor 8, office 7
Minsk, Belarus
220020

Translation from the original into English

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Management of

Reshenie Bank Joint-Stock Company

Ref. number: 04-05/53

Date: 6 June 2022

Opinion

We have audited the accompanying financial statements of Reshenie Bank Joint Stock Company (hereinafter – "R-Bank JSC", "the Bank", "auditee") (location: Republic of Belarus, 220035, Minsk, 11 Ignatenko Str.; information on the state registration: Reshenie Bank Joint-Stock Company registered by the National Bank of the Republic of Belarus on 09 November 1994, registration number 53; payer's identification number: 100789114), which comprise:

- The statement of financial position as at 31 December 2021;
- The statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and
- Notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing Activities", the national rules of auditing activity approved by the Ministry of Finance of the Republic of Belarus and International Standards on Auditing.

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

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

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

Key audit matters

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

Key audit matters (continued)

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

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

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

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

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

Our audit procedures included an assessment of compliance with the requirements of IFRS (IFRS) 9 methodology for calculating expected credit losses developed by the Bank to estimate Allowance for impairment of loans to customers.

The calculation of expected credit losses includes valuation methodologies that use significant unobserved baseline data 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 unobserved baseline data such as current and projected borrower financial performance, collateral cost and probability assessment of possible scenarios. The use of other modeling methodologies, assumptions and projections may lead to substantially different estimates of the allowance for expected credit losses.

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

When testing the impairment calculated on a portfolio basis, we analyzed the underlying statistical models, key baseline data and assumptions, as well as projected information, used to calculate expected credit losses. For selected significant loans we have conducted a check of internal credit ratings, credit risk factors and stage classification. For our selected significant impaired corporate loans, we analyzed assumptions about future cash flows, including the collateral value and the likelihood of possible scenarios. We reviewed the results of the Bank's subsequent testing of the models applied for the purposes of IFRS 9.

Key audit matters (ending)

Information on the allowance for expected credit losses in respect of loans to customers, as well as of credit related commitments is provided in Note 9 "Loans to customers" and Note 35 "Risk management" (in terms of credit risk) to the financial statements. We have also reviewed the disclosure regarding the allowance for expected credit losses of loans to customers in the financial statements with the requirements of IFRS 9.

As a result of the procedures carried out, no deficiencies were identified.

Responsibilities of the Auditee for the Preparation of the Financial Statements

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

In preparing the financial statements, the Management is responsible for assessing the ability of the auditee to continue as a going concern and the appropriateness of applying the going concern assumption, as well as the proper disclosure in the financial statements, where appropriate, of information on going concern, except for cases when the Management intends to liquidate the entity or to cease trading or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the auditee's financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance whether the financial statements are free from material misstatement, whether due to fraud and (or) error, and to issue an auditor’s report that includes our opinion expressed in the prescribed form. Reasonable assurance forms a high level of assurance, but it does not guarantee that an audit conducted in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing Activities", the national rules of auditing activity 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.

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 national rules of auditing activity approved by the Ministry of Finance of the Republic of Belarus and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the 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;

Translation from the original into English

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

- 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.

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

Engagement partner,
Managing partner _____ Alexander Shkodin

Head of the Audit Group,
Deputy Director for Consulting
and Other Professional Services _____ Ivan Kovalenko

Auditor's report date: 06 June 2022

Place of issue: Minsk, Republic of Belarus

Date of receipt by the auditee: 06 June 2022

Position, Full name Chief Accountant V.S Borichevskaya

Signature _____

INFORMATION ABOUT THE AUDITOR:

Name:	BDO Limited Liability Company
Location:	103 Pobediteley ave., office 807, Minsk, 220020, Republic of Belarus
Information on the state registration:	Certificate on the state registration was issued by Minsk City Executive Committee dated 15 November 2013
Payer's identification number:	190241132

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management of R-Bank JSC is responsible for the preparation of financial statements of the Bank. The financial statements on pages 9 to 75 represent fairly the financial position of the Bank as at 31 December 2021, the results of its operations and cash flows for the year ended 31 December 2021 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 2021 are authorized for issue on 06 June 2022 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
06 June 2022

STATEMENT OF FINANCIAL POSITION

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	42,394	28,560
Due from banks	8	14,200	6,599
Loans to customers	9	127,861	146,405
Financial assets measured at fair value through profit or loss	10	74	21
Financial assets measured at fair value through other comprehensive income	11	32,036	29,921
Investment property	12	248	236
Property and equipment and intangible assets	13	14,621	13,709
Right-of-use assets	14	107	420
Other assets	15	4,644	3,972
TOTAL ASSETS		**236,185**	**229,843**
LIABILITIES AND EQUITY			
Liabilities			
Due to banks	16	14,658	9,928
Due to customers	17	141,954	141,842
Debt securities issued	18	12,542	13,660
Subordinated loans	19	17,338	17,548
Lease liabilities	20	104	420
Derivative financial liabilities	21	69	2
Other liabilities	22	3,768	2,370
Total liabilities		**190,433**	**185,770**
Equity			
Share capital	23	73,639	73,639
Revaluation reserve for financial assets measured at fair value through other comprehensive income	11	(1,120)	(1,312)
Unrecovered loss		(26,767)	(28,254)
Total equity		**45,752**	**43,073**
TOTAL LIABILITIES AND EQUITY		**236,185**	**229,843**

The accompanying notes on pages 15 to 75 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
06 June 2022

STATEMENT OF COMPREHENSIVE INCOME

	Note	2021	2020
Interest income		19,547	12,681
Interest expenses		(12,410)	(8,644)
Net interest income	24	**7,137**	**4,037**
Commission income		12,019	10,989
Commission expenses		(4,944)	(4,375)
Net commission income	25	**7,075**	**6,614**
Net gain from transactions with financial assets measured at fair value through profit or loss	26	293	19
Net gain from foreign currency transactions	27	1,873	2,359
Net gain on operations with financial instruments at amortized cost	28	(435)	(226)
Net (accrual) / recovery of allowances for other assets, including:		(45)	316
Net (accrual) / recovery of allowances for credit related commitments	33	*(1)*	*432*
Net (accrual) / recovery of allowances for the impairment of inventories	15	*(44)*	*(115)*
Net other income	29	3,123	1,545
Total operating income		**19,021**	**14,665**
Net (accrual) / recovery of allowance for impairment of financial assets:	7-9, 11, 15	(1,442)	3,268
Personnel expenses	30	(8,394)	(7,560)
Amortization/Depreciation	12-14	(1,868)	(1,663)
Administrative expenses	31	(5,797)	(5,758)
Profit before tax		**1,520**	**2,952**
Income tax expense	32	(49)	(354)
Net profit for the year		**1,471**	**2,598**
Basic earnings per ordinary share	22.1	0,1003	0,1772

Translation from the original into English

	Note	2021	2020
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	11	192	(1,099)
Total other comprehensive income that will be subsequently reclassified to profit or loss		192	(1,099)
TOTAL COMREHENSIVE INCOME		1,663	1,499

The accompanying notes on pages 15 to 75 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
06 June 2022

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 2019		73,639	(213)	(30,852)	42,574
Correction of errors	6	-	-	16	16
Balance as at 31 December 2019		73,639	(213)	(30,836)	42,590
Total comprehensive income		-	(1,099)	2,598	1,499
Net profit for the year		-	-	2,598	2,598
Other comprehensive expenses for the year	11	-	(1,099)	-	(1,099)
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	11	-	192	-	192
Balance as at 31 December 2021		73,639	(1,120)	(26,767)	45,752

The accompanying notes on pages 15 to 75 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
06 June 2022

STATEMENT OF CASH FLOWS

	Note	2021	2020
Cash flow from operating activities:			
Interest income received		19,417	17,996
Interest expenses paid		(12,235)	(8,371)
Commission income received		11,989	10,957
Commission expenses paid		(4,837)	(4,349)
Realized results of foreign exchange, precious metals and gemstones operations		2,116	2,093
Realized results of operations with financial assets measured at fair value through profit or loss		(436)	(226)
Other income received		2,959	1,832
Personnel expenses	30	(8,394)	(7,560)
Administrative expenses paid		(5,493)	(5,781)
Cash flows from operating activities before changes in operating assets and liabilities		**5,086**	**6,591**
Increase/(decrease) in operating assets			
Due from banks		(8,321)	(2,362)
Loans to customers		14,341	(5,606)
Financial assets measured at fair value through profit or loss		313	-
Financial assets measured at fair value through other comprehensive income		(2,297)	(3,098)
Other assets		(1,116)	1,337
Increase/(decrease) in operating liabilities:			
Due to banks		5,623	(1,032)
Due to customers		3,463	(5,793)
Debt securities issued		(973)	3,331
Financial liabilities measured at fair value through profit or loss, including:		(6)	-
Other liabilities		877	(779)
Net cash flows from operating activities before tax		**16,990**	**(7,411)**
Income tax paid		68	(201)
Net cash flow from operating activities		**17,058**	**(7,612)**
Cash flow from investing activities:			
Acquisition of property and equipment and intangible assets		(2,655)	(1,582)
Purchase of property and equipment and intangible assets		17	-
Net cash flow from investing activities		**(2,638)**	**(1,582)**
Cash flow from financing activities			
Payments in respect of the amount of the lease liability	14, 20	(316)	(172)

Translation from the original into English

	Note	2021	2020
Net cash flow from financing activities		**(316)**	**(172)**
Net increase/ (decrease) in cash and cash equivalents		**(14,104)**	**(9,366)**
Effect of changes in foreign exchange rates on cash and cash equivalents		(571)	2,734
Cash and cash equivalents at the beginning of the year (before deduction of allowance)	7	**29,020**	**35,652**
Cash and cash equivalents at the end of the year (before deduction of allowance)	7	**42,553**	**29,020**

The accompanying notes on pages 15 to 75 form an integral part of these financial statements.

Chairperson of the Management Board
S.D. Budnikov

Chief Accountant
V.S. Borichevskaya

Minsk
06 June 2022

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:

- general license of the National Bank No. 14 to conduct banking operations dated 08 June 2016;
- license to carry out professional and exchange activities on securities issued by the Ministry of Finance of the Republic of Belarus No. 02200/5200-246-1099, on 14 April 1995;
- license to carry out activities related to precious metals and gemstones issued by the Ministry of Finance of the Republic of Belarus No. 02200/21-00055 on 17 March 2004;
- license to carry out security activities by the Ministry of Internal Affairs of the Republic of Belarus No. 33030/355 on 21 September 1999.

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

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

In accordance with the banking license No. 14 dated 08.06.2016, issued by the National Bank of the Republic of Belarus, the Bank may carry out the following banking operations:

- raising funds of individuals and legal entities to accounts and deposits;
- placement of raised funds of individuals and legal entities on accounts and deposits on their own behalf and at their own expense in a reimbursable, chargeable and time-bound manner;
- opening and maintaining bank accounts of individuals and legal entities;
- opening and maintaining accounts in precious metals;
- implementation of settlement and cash servicing of individuals and legal entities, including correspondent banks;
- foreign exchange operations;
- purchase and sale of precious metals and stones in cases stipulated by the National Bank;
- issuance of bank guarantees;

- trust management of funds under the contract of trust management of funds;
- issuance of bank payment cards;
- issuance of electronic money;
- issuance of securities which confirm the raising of funds into deposits and their placement on accounts;
- 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 and structural divisions, as well as delivery of such valuables to customers of banks and non-bank credit and financial organizations.

In 2021, the Bank operated through 2 banking services centers in Minsk, 5 banking services centers in regional centers (in Grodno, Gomel, Brest, Vitebsk and Mogilev).

The average listed number of employees of Bank as at 31 December 2021 was 267 people (as at 31 December 2020 - 276 people).

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

	Share (%) 2021	**Share (%) 2020**
Joint venture "Intersportproekt" Limited (Republic of Belarus)	18.3	18.3
Joint venture "Saturn-Info" Limited (Republic of Belarus)	13.4	13.4
Alm Investments FZE (United Arab Emirates Free Zone Ras Al Khaimah, Ras A1 Khaimah)	68.3	68.3
Total	**100.0**	**100.0**

The ultimate controlling owner of the Bank as at 31 December 2021 and 31 December 2020 is Mohammad Ahmad Salem Khalifa Alzaraim Al Suwaidi, resident of UAE, Dubai.

2. ECONOMIC ENVIRONMENT IN WHICH THE BANK OPERATES

The main volume of the Bank's operations is carried out in the Republic of Belarus.

When analyzing the impairment of assets the Bank's considers the current macroeconomic situation.

Annual inflation in the consumer sector of the Republic of Belarus in 2021 amounted to 9.97% per annum, which is 2.57% more than in 2020. This indicator exceeded the target forecast almost twice. The excess of the forecast parameter for the year is due to: the deterioration of economic sentiment and the growth of inflation and devaluation expectations, the maintenance of high commodity prices in the world, the weakening of the Belarusian ruble against the background of sanctions against exports and restrictions on access to foreign loans.

The volume of gross domestic product in 2021 increased by 2.3% compared to 2020 and amounted to 173.15 billion rubles. The growth rate of the economy turned out to be higher than the planned 1.8% in 2021.

The real disposable income of the population of Belarus in 2021 increased by 2% compared to the same period in 2020. The growth rate of real incomes of the population has slowed down significantly, which is mainly due to the rise in prices, which in 2021 turned out to be twice as much as the government predicted.

The public debt of the Republic of Belarus as at 1 January 2021 amounted to 58.3 billion rubles (33.5% of gross domestic product) and increased by 0.5 billion rubles or 0.9% compared to the beginning of 2021, which is primarily due to the weakening of the Belarusian ruble.

External national debt as at 1 January 2022 amounted to 18.2 billion USD, having decreased since the beginning of the year by 0.4 billion USD (taking into account exchange differences), or by 1.9%. In 2021, external government loans were attracted in the amount equivalent to 1,273.1 million US dollars, the repayment of external public debt amounted to 1,609.0 million US dollars. Internal national debt as at 1 January 2022 amounted to 11.8 billion rubles, having increased since the beginning of the year by 2 billion rubles (taking into account exchange differences), or by 19.9%. In 2021 domestic currency and ruble government bonds for legal entities and individuals in the amount equivalent to 1,237.8 million US dollars and 191.0 million rubles were placed. Currency and ruble government bonds for legal entities and individuals in the amount equivalent to 333.1 million US dollars and 145.0 million rubles were repaid.

The average weighted exchange rate of the Belarusian ruble in the exchange market of the Republic of Belarus against the Russian ruble in January-December 2021 was at 3.4424 rubles per 100 Russian rubles; against the US dollar — 2.5385 rubles for 1 US dollar, against Euro — 2.9923 rubles for 1 Euro.

In 2021, the National Bank increased the refinancing rate twice: from 21 April — from 7.75% to 8.5% per annum, from 21 July — from 8.5% to 9.25%.

The average interest rate on one-day interbank loans, deposits in the national currency in December 2021 was 1% per annum, in December 2020 the average interest rate was 6.24% per annum.

The average interest rate on new term bank deposits in the national currency in December 2021 was at the level of 7.32% per annum.

The average interest rate on new term bank deposits of legal entities in the national currency in December 2021 was 5.1% per annum, for new term bank deposits of individuals — 14.92% per annum. The average interest rate on new term bank deposits in the foreign currency in December 2021 was 2.96% per annum. The average interest rate on new term bank deposits of legal entities in December 2021 was 2.6% per annum, on new term bank deposits of individuals — 3.71% per annum.

The average interest rate on new bank loans (without interbank loans) in the national currency in December 2021 was at the level of 13.13% per annum. The average interest rate on new loans of banks to legal entities in national currency in December 2021 was 13.43% per annum, for new loans of banks to individuals — 11.3% per annum. The average interest rate on new bank loans (excluding interbank loans) in foreign currency in December 2021 was 7.26% per annum. The average interest rate on new bank loans (without interbank loans) to legal entities has developed at the level of 7.26% per annum.

The requirements of other deposit organizations to the economy in national currency as at 1 January 2022 amounted to 36,499.1 million rubles and have increased by 8.8% since the beginning of 2021. The requirements of other deposit organizations to the economy in foreign currency as at 1 January 2022 amounted to 12,681.9 million USD and increased by 2.2% since the beginning of 2021.

In 2021, the Standard & Poor's rating agency confirmed the long-term and short-term sovereign credit ratings of Belarus on foreign and national currency liabilities at the "B" level, while maintaining a "negative" outlook.

The economy of the Republic of Belarus manifests some of the characteristics inherent in developing markets. The legal, tax and administrative systems are subject to particular changes and allow for different interpretations. Political disagreements, as well as international sanctions imposed on a number of Belarusian companies and individuals, negatively affected the economic situation in the Republic of Belarus in the reporting period. The Bank's Management 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 operations and financial position of the Bank in the future, and at present it is difficult to assume what exactly this influence will be. Future economic and regulatory situation and its impact on business results of the Bank may differ from management's current expectations.

The effect of the global COVID-19 outbreak on the economic environment in which NFI operates

In March 2020, the World Health Organization declared the coronavirus epidemic (COVID-19) a global pandemic.

As a result of these events, in 2020-2021, significant changes in the economic environment were observed in the Republic of Belarus:

- reduction of industrial production and business activity in many sectors of the economy;
- high volatility and a decrease in stock indexes, oil prices;
- a decrease in the Belarusian ruble against major foreign currencies, high volatility in the foreign exchange market.

The negative impact of the COVID-19 outbreak, complemented by the country factors, contributed to the economic recession in the country. Financial markets continue to be characterized by a lack of stability, frequent and substantial price changes and increased trading operation spreads.

These financial statements reflect Management's current assessment of the effects that the economic situation has on the activity and the financial position of the Bank. Future economic development in the Republic of Belarus depends to a large extent on the effectiveness of the measures taken by the government and other factors including regulatory and political events beyond the control of the Bank.

The management of the Bank takes all necessary measures to ensure the sustainability of the activities of the Bank. Adjustments related to this risk have not been included in the accompanying financial statements.

A description of the economic environment in which the Bank operates in the period after the reporting date is presented in Note 40 "Subsequent Events".

3. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Statement of Compliance

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

Going concern

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

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 2021 prepared in accordance with the Belarusian legislation, the regulatory capital of the Bank as at 31 December 2021 amounted to 67,029 thousand rubles.

For the year ended 31 December 2021, the Bank earned a profit in the amount of 1,471 thousand rubles.

Functional and reporting currency

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

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 2021	31 December 2020
BYN/USD	2,5481	2,5789
BYN/EUR	2,8826	3,1680
BYN/100 RUB	3,4322	3,4871

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. In applying the recommendations of the IASB and the European Banking Organization to correctly reflect the significant uncertainties associated with the COVID-19 pandemic, the Bank has applied the following international practices:

- the approach to calculating the influence of macro indicators has been clarified:
- adjusted the calculation of the level of losses in case of default (PD) in the context of an economic downturn;
- the algorithm for predicting early repayments has been adjusted to estimate value at risk (EAD). Actual results may differ from the judgments, estimates and assumptions made by management and may differ from those estimated.

Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that could cause a significant adjustment to the carrying amount of assets and liabilities within the next 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.

Fair value measurement of financial instruments

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

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

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

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

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

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

Determination of deferred tax assets

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

4. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

New and revised IFRS issued and effective on 1 January 2021

Interest Rate Benchmark Reform

On 27 August 2020, the IASB published Interest Rate Benchmark Reform Amendments – Phase 2 to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosure of Information", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases". Upon adoption by international regulatory authorities of the decision to replace interbank rates (IBOR, Interbank Offered Rates) with risk-free rates (RFR, Risk-free Rates), the IASB began work on adapting financial statements to the IBOR reform.

The IASB has divided its activities into two phases. Phase one (Phase I) addresses issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative virtually risk-free interest rate (an RFR). Phase two (Phase II) will focus on issues arising when replacing existing interest rate benchmark with RFR rates under contracts whose terms include such rates.

The amendments provide simplification of a practical nature, requiring that changes in the contract or changes in cash flows that are directly required by the IBOR reform are considered as changes in a floating interest rate equivalent to a change in the market interest rate. A prerequisite for such a simplification is the requirement that the transition from the IBOR base rate to the RFR takes place on an economically equivalent basis without changing the cost. When applying simplification, an entity shall first identify and reflect changes in the financial instrument (contract) that are directly related to the IBOR reform by updating the effective interest rate (EIR) without adjusting the carrying amount.

The amendments are mandatory and effective for annual periods beginning on or after 1 January 2021, with early application permitted.

These amendments are applied retrospectively if an entity can recalculate information for past periods using later information. If no recalculation is made, the difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period, which includes the date of initial application of the amendments, is recognized as part of the opening balance of retained earnings (or other component of equity, depending on the situation) of the annual reporting period, which includes the date of initial application of the amendments.

Amendments to IFRS 9 Financial Instruments and to IAS 39 Financial Instruments: Recognition and Measurement

The standards have been substantially supplemented with provisions concerning the Interest Rate Benchmark Reform, especially in terms of hedging.

IFRS 9 is supplemented by paragraphs 5.4.5-5.4.9, which include provisions on changing the basis for determining the cash flows provided for in the contract, caused by the Interest Rate Benchmark Reform, and contain a simplification of a practical nature. The replacement of LIBOR rates in existing financial instruments with RFR is considered as a change in the floating interest rate, and paragraph B5.4.5. on revaluation of cash flows is applied.

<u>Exemption from termination of hedging relationships</u>

The amendments make it possible to make changes required by the IBOR reform to define hedging and hedging documentation, in accordance with IFRS 9 and IAS 39, without terminating the hedging relationship.

Separately identifiable risk components in hedging

IFRS 9 and IAS 39 require that the hedged risk component (or a certain part of it) was "separately identifiable". The amendments provide entities with a temporary exemption from the need to comply with the requirement of separately identifiable risk when an instrument with an RFR rate is defined as a risk component hedging. This simplification allows an entity to assume that the requirement of separately identifiable risk has been met when determining the hedged item, provided that the entity reasonably expects that the RFR risk component will become separately identifiable within the next 24 months.

Amendments to IFRS 7 Financial Instruments: Disclosure of Information

The Standard is supplemented by the following additional information disclosure requirements:

- How the entity manages the transition to RFR, its progress and the risks it is exposed to in connection with the IBOR reform related to financial instruments.
- Quantitative information on financial instruments that have not yet switched to RFR, broken down by each significant IBOR rate.
- If the IBOR reform has led to changes in the risk management strategy of the entity, a description of these changes is disclosed.

Amendments to IFRS 4 Insurance Contracts

The standard is supplemented by paragraphs 20R-20S, which include provisions on changing the basis for determining the cash flows provided for in the contract, caused by the Interest Rate Benchmark Reform, for insurers applying a temporary exemption from the application of IFRS 9.

Amendments to IFRS 16 Lease

The standard is supplemented by paragraphs 104-106, which contain a practical simplification due to the Interest Rate Benchmark Reform.

An entity that is a lessee, when replacing IBOR rates in existing contracts with RFR, evaluates such changes as a modification of the contract in accordance with paragraph 42 (b) of the IFRS 16. The lease liability is subject to remeasurement, with the new basis for determining lease payments being economically equivalent to the previous basis (i.e., the basis used immediately before the modification). All other modifications not related to the rate reform are subject to measurement in accordance with the requirements of the IFRS 16 in a generally established manner.

Extension of Lease Benefits - amendments to IFRS 16 Lease

In March 2021, an amendment to IFRS 16 was issued, which extended lease benefits to lessees for another year. The IASB allowed lessees not to assess whether a COVID-19-related rent concession (credit holidays, deferred lease payments for a certain period) was a lease modification.

According to the latest amendment, the lessee can apply concessions only to those lease benefits that are directly related to the COVID-19 pandemic, and if all of the following criteria are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments originally due on or before 30 June 2022; and there is no substantive change to the other terms and conditions of the lease.

The Bank does not expect the amendments to have an impact on the financial statements.

New and revised IFRS issued and effective from 1 January 2022

Amendments to IFRS (IAS) 16 Property, Plant and Equipment

Additions to the IFRS 16 relate to accounting and disclosure of information regarding receipts for property, plant and equipment before they are used for their intended purpose. The amendments prohibit entities from deducting from the cost of an item of property, plant and equipment any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

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. Early application is permitted.

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.

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.

Annual Improvements to IFRS 2018-2020 relevant to THE BANK

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 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. The amendments have been postponed until 1 January 2023; earlier application is permitted.

The Bank does not expect the amendments to 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 recognized at amortized cost.

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

Equity instruments measured at FVTOCI

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

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

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

The Bank estimates the expected credit losses and 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 Bank's management when significant economic and other factors that affect the amount of allowances are identified.

Determination of a significant increase in credit risk

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

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

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

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

Determination of default

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

- it is unlikely that the borrower's credit related commitments to the Bank will be repaid in full without the Bank's use of such actions as the realization of collateral (if any); or
- the borrower's debt on any of the Bank's significant credit related commitments is past due by more than 90 days;
- restructuring due to the borrower's financial difficulties within the previous 12 months prior to the reporting date.

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

Forecast information

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

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

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

- 85% — basic scenario;
- 10% - moderate shock;
- 5% - strong shock.

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

Modified financial assets

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

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

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

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

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

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

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

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

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

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

Derecognition of financial liabilities

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

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

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.

Foreign exchange transactions

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

The difference between the contractual exchange rate for a transaction in foreign currency and the official rate of the National Bank of the Republic of Belarus 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 of the Republic of Belarus effective on the date of determination of fair value.

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

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. ADJUSTMENTS RELATED TO PREVIOUS PERIODS

In previous periods, the Bank mistakenly applied incorrect depreciation rates for investment properties.

The changes are reflected in the financial statements retrospectively in accordance with IFRS (IAS) 8 "Accounting Policies, Changes in Estimates and Errors". The Bank has retrospectively recalculated the accrued depreciation on investment property.

Below are the adjustments made by the Bank in the comparative information provided:

Statement of Financial Position as at 31 December 2020

	31 December 2020	Amount of adjustment	31 December 2020 after adjustment
Investment property	236	16	252
Total assets	**229,843**	**16**	**229,859**
Uncovered loss	(28,254)	16	(28,238)
Total equity	**44,073**	**16**	**44,089**

Statement of Changes in Equity for the year ended 31 December 2019

	31 December 2019	Amount of adjustment	31 December 2019 after adjustment
Uncovered loss	**(30,852)**	**16**	**(30,836)**

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include the following amounts:

	31 December 2021	31 December 2020
Correspondent accounts and overnight deposits in financial organizations	21,198	7,072
Balances on current accounts with the National Bank (other than mandatory reserves)	9,866	14,938
Cash	10,722	6,462
Term interbank deposits placed for 90 days or less	767	548
Total cash and cash equivalents	**42,553**	**29,020**
Less allowance for impairment	(159)	(460)
Total net cash and cash equivalents	**42,394**	**28,560**

As at 31 December 2021 and 31 December 2020 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», «BB+», «BBB» or no credit rating.

As at 31 December 2021 the correspondent network of the Bank includes 50 Nostro accounts in foreign currency (as at 31 December 2020 — 63 accounts).

As at 31 December 2021 and 31 December 2020 the Bank had no balances on correspondent accounts and overnight deposits with other banks which exceeded 10% of the Bank's capital.

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

	2021				2020
	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	(460)	-	-	**(460)**	**(454)**
(Accrual) / recovery of an allowance	301	-	-	**301**	**(6)**
Balance as at 31 December	**(159)**	**-**	**-**	**(159)**	**(460)**

8. DUE FROM BANKS

	31 December 2021	31 December 2020
Obligatory provisions in the National Bank of the Republic of Belarus	1,423	1,658
Unimpaired and non-overdue loans and other amounts due from financial institutions	12,896	5,104
Total amounts due from banks	**14,319**	**6,762**
Less allowance for impairment	(119)	(163)
Total net amounts due from banks	**14,200**	**6,599**

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

	2021				2020
	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	(163)	-	-	**(163)**	**(96)**
(Accrual) / recovery of an allowance	44	-	-	**44**	**(67)**
Balance as at 31 December	**(119)**	**-**	**-**	**(119)**	**(163)**

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 2021 and 31 December 2020 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 2 435 thousand Belarusian rubles and 3 410 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 2021 and 31 December 2020.

b) Concentration of amounts due from banks

As at 31 December 2021 and 31 December 2020, the Bank had no balances in financial organizations exceeding 10% of the capital of the Bank.

9. LOANS TO CUSTOMERS

	31 December 2021	31 December 2020
Loans to corporate customers	78,904	94,962
Loans to individuals	51,655	53,442
Total loans to customers	**130,559**	**148,404**
Less allowance for impairment	(2,698)	(1,999)
Total net loans to customers	**127,861**	**146,405**

Quality of loans to corporate customers

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

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**

as at 31 December 2020

	12-month per iod of loss	Period of loss for the whole term — not impaired	Period of loss for the whole term — impaired	31 December 2020
Loans to corporate customers				
Amount of loans	92,116	1,948	898	**94,962**
Allowance for impairment	(32)	(912)	(577)	**(1,521)**
Book value	**92,084**	**1,036**	**321**	**93,441**

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 2021 and 31 December 2020:

	31 December 2021	Share in the loan portfolio, %	31 December 2020	Share in the loan portfolio, %
Real estate	28,415	36.01%	42,219	44.4%
Other collateral	14,070	17.83%	7,647	8.1%
Guarantees	17,239	21.85%	19,368	20.4%
Equipment and vehicles	13,534	17.15%	19,480	20.5%
Unsecured loans	5,646	7.15%	6,248	6.6%
Total loans to corporate customers	**78,904**	**100.0%**	**94,962**	**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 2021	31 December 2020
Unexpired	78,278	94,046
Overdue less than 1 year	626	916
Total loans to corporate customers	**78,904**	**94,962**

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

	31 December 2021	31 December 2020
Credit line, including:	63,930	77,583
Revolving credit line	*30,616*	*35,109*
Non-revolving credit line	*33,314*	*42,474*
One-time loan	14,974	17,379
Total loans to customers	**78 904**	**94 962**

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

	31 December 2021	Share in the loan portfolio, %	31 December 2020	Share in the loan portfolio, %
Wholesale and retail trade, car and motorcycle repair	19,026	24.11%	37,102	39.1%
Manufacturing	26,645	33.77%	31,925	33.6%
Transportation, warehousing, postal and courier activities	1,346	1.71%	670	0.7%
Construction	1,415	1.79%	2,197	2.3%
Operations with real estate	2,561	3.25%	4,929	5.2%
Agriculture, forestry and fisheries	58	0.07%	612	0.6%
Other	27,853	35.30%	17,527	18.5%
Total loans to corporate customers	**78,904**	**100.00%**	**94,962**	**100.00%**

Quality of loans to individuals

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

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**

as at 31 December 2020

	12-month period of loss	Period of loss for the whole term — not impaired	Period of loss for the whole term — impaired	31 December 2020
Loans to individuals				
Amount of loans	52,531	484	427	**53,442**
Allowance for impairment	(2)	(172)	(304)	**(478)**
Book value	**52,529**	**312**	**123**	**52,964**

All loans to individuals were impaired on a collective basis.

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

	31 December 2021	31 December 2020
Loans secured by penalties and guarantees	51,558	53,340
Loans secured by pledge of vehicles	71	75
Loans secured by pledge of property	26	27
Total loans to customers	**51,655**	**53,442**

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 2021	31 December 2020
Unexpired	51,157	52,943
Overdue less than 1 month	35	37
Overdue from 1 to 6 month	463	389
Overdue from 6 month to 1 year	-	73
Total loans to individuals	**51,655**	**53,442**

Loan impairment

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

	2021				2020
	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	(34)	(1,084)	(881)	**(1,999)**	**(6,209)**
(Accrual) / recovery of an allowance	28	(404)	57	**(319)**	**4,779**
Write-off	-	-	(380)	**(380)**	**(569)**
Balance as at 31 December	**(6)**	**(1,488)**	**(1,204)**	**(2,698)**	**(1,999)**

Significant credit exposures

As at 31 December 2021 and 31 December 2020, the Bank had two and three corporate borrowers, respectively, with loan debt exceeding 10% of the Bank's capital. The total value of these loans as at 31 December 2021 and 31 December 2020 was 12,846 thousand rubles and 19,070 thousand rubles, respectively.

Maximum exposure to credit risk

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

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

	31 December 2021	31 December 2020
Derivative financial assets	74	21
Total financial assets measured at fair value through profit or loss	**74**	**21**

Transactions with derivative financial instruments in 2021 are not significant: turnover in financial assets amounted to about 590 thousand rubles, on financial liabilities — 110 thousand rubles.

Net income from operations with derivative financial instruments in the reporting year amounted to 293 thousand rubles.

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

Investments in equity securities (shares) as at 31 December 2021 and 31 December 2020 are as follows:

Name	Type of activity	Country of registration	Share in the share capital	31 December 2021	31 December 2020
JV "Venbelcom S.A."	Foreign trade activity	Venezuela	19,60	26	26
JSV “Belzarubezhstroy”	Construction	Republic of Belarus	10,00	-	-
JV "MAZ-MAN"	Manufacturing	Republic of Belarus	7,37	8	8
Total				**34**	**34**

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

Signs that the cost may not reflect fair value include, among other things, a significant change in the performance of the investee. As at 31 December 2021 and 31 December 2020, the fair value of the equity instrument of JSV “Belzarubezhstroy” amounted to zero rubles (as at the reporting date, the issuer worked with negative net assets).

In 2021-2020 the Bank received insignificant dividends.

Investments in debt securities as at 31 December 2021 and 31 December 2020 are presented as follows:

	Average rate	Maturity and currency	31 December 2021	31 December 2020
Bonds issued by republican state administrative bodies	4,38%	2028, USD	14,096	12,732
Bonds issued by republican state administrative bodies	3,70%	2024, EUR	5,672	1,600
Bonds issued by resident banks	10,00%	2022, BYN	4,778	12,753
Bonds issued by commercial organization	7,50%	2028, BYN	6,265	2,321
Bonds issued by commercial organization	14,67%	2022, USD	544	-
Interest income on bonds accrued			647	481
Total investments in debt securities			**32,002**	**29,887**

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

	2021				2020
	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	(1,312)	-	-	**(1,312)**	**(213)**
(Accrual) / recovery of an allowance	192	-	-	**192**	**(1,099)**
Balance as at 31 December	**(1,120)**	**-**	**-**	**(1,120)**	**(1,312)**

12. INVESTMENT PROPERTY

The movement of investment property for the year ended 31 December 2021 and 31 December 2020 is as follows:

	31 December 2021	31 December 2020
Initial cost		
Balance as at 1 January	267	319
Acquisition	-	16
Disposal	(15)	(68)
Internal transfer	15	-
Balance as at 31 December	**267**	**267**
Accumulated depreciation		
Balance as at 1 January	(15)	(11)
Acquisition	(4)	(4)
Disposal	-	-
Balance as at 31 December	**(19)**	**(15)**
Net book value as at 31 December	**248**	**252**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Rental income from investment property	15	10
Total income for the period	**15**	**10**

Investment property includes objects that the Bank leases.

The Management of the Bank believes that the fair value of investment property is equal to its book value as at 31 December 2021 and 31 December 2020.

In 2021 and 2020, the Bank carried out an impairment test, as a result of which no signs of impairment of investment property were identified.

In 2021 and 2020, the Bank had no restrictions on the feasibility of its investment property, as well as any contractual liabilities to acquire, construct or build investment property objects, repair, maintain or improve them.

13. PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

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

The following is the information on the movement of property and equipment for the year ended 31 December 2020:

	Buildings and structures	Vehicles	Office and computer equipment, other	Intangible assets	Investments in intangible assets	Total
Initial cost						
Balance as at 31 December 2019	13,122	315	4,019	5,170	1	**22,627**
Acquisition	30	-	133	1,156	1748	**3,067**
including modernization	*30*	-	*23*	-	-	***53***
Disposal	-	-	(193)	(108)	(1,483)	**(1,784)**
Transfer from investment property	-	-	-	-	-	**-**
Balance as at 31 December 2020	**13,152**	**315**	**3,959**	**6,218**	**266**	**23,910**
Accumulated depreciation						
Balance as at 31 December 2019	(3,425)	(311)	(2,926)	(2,325)	-	**(8,987)**
Accrued for the year	(220)	(2)	(225)	(1,042)	-	**(1,489)**
Disposal	-	-	181	94	-	**275**
Transfer from investment property	-	-	-	-	-	**-**
Balance as at 31 December 2020	**(3,645)**	**(313)**	**(2,970)**	**(3,273)**	**-**	**(10,201)**
Residual value as at 31 December 2019	**9,697**	**4**	**1,093**	**2,845**	**1**	**13,640**
Residual value as at 31 December 2020	**9,507**	**2**	**989**	**2,945**	**266**	**13,709**

As at the year ended 31 December 2020, the cost of fully depreciated property and equipment and amortized intangible assets that continue to be used by the Bank amounts to 3,429 thousand rubles.

In 2020 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.

14. 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 2019	**261**	**261**
Acquisition	331	331
Depreciation	(170)	(170)
Disposal	-	-
Modification	2	2
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**

15. OTHER ASSETS

	31 December 2021	31 December 2020
Accrued commission income	683	570
Accrued lease income	41	24
Allowance for unearned income	(357)	(477)
Receivables	151	205
Allowance for covering possible losses on accounts receivable from economic activities	(3)	(113)
Total other financial assets	**515**	**209**
Taxes prepaid	2,542	1,168
Property transferred to the Bank as repayment of debt	2,169	2,399
Advance payments	194	786
Prepayments on capital investments	94	179
Other	4	61
Allowance for the impairment of inventories	(874)	(830)
Total other non-financial assets	**4,129**	**3,763**
Total other assets	**4,644**	**3,972**

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:

	2021				2020
	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	(590)	-	-	**(590)**	**(630)**
(Accrual) / recovery of an allowance	-	-	(1,276)	**(1,276)**	**(1,399)**
Restoration of the reserve	28	-	1,478	**1,506**	**1,439**
Balance as at 31 December	**(562)**	**-**	**202**	**(360)**	**(590)**

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

	2021	2020
Allowance for the impairment of inventories		
Balance as at 1 January	(830)	(715)
Recovery/ (accrual) of an allowance	(44)	(115)
Balance as at 31 December	**(874)**	**(830)**

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

16. DUE TO BANKS

	31 December 2021	31 December 2020
Correspondent accounts of banks	3,187	5,992
Loans and deposits from other banks	11,463	3,925
Accrued interest expenses on other passive transactions with other banks	8	11
Total amounts due to banks	**14,658**	**9,928**

As at 31 December 2021 and 31 December 2020, the Bank had no balances of banks exceeding 10% of the capital of the Bank.

17. DUE TO CUSTOMERS

	31 December 2021	31 December 2020
Legal entities		
- time deposits	37,008	41,913
- current (settlement) accounts	44,688	29,425
Individuals		
- time deposits	52,893	60,918
- current (settlement) accounts	7,365	9,586
Total amounts due to customers	**141,954**	**141,842**

As at 31 December 2021 and 31 December 2020, the Bank had no balances of customer funds exceeding 10% of the capital of the Bank.

18. DEBT SECURITIES ISSUED

	Issue	Maturity	% rate	31 December 2021	31 December 2020
Bonds denominated in foreign currency	13	30.09.2027	2,50%	93	720
BYN-denominated bonds	10	22.03.2023	10,57%	148	198
BYN-denominated bonds	11	20.04.2023	11,00%	2,078	4,325
BYN-denominated bonds	12	25.10.2023	11,00%	10,223	8,417
TOTAL				**12,542**	**13,660**

The information on changes in liabilities related to the financial activities of the Bank as at 31 December 2021 and 31 December 2020 is presented below:

	Debt securities issued
Book value as at 31 December 2019	**10,030**
Acquisition	50,077
Repayment	(46,745)
Interest paid	(3,133)
Foreign exchange differences	64
Interest accrued	3,367
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**

19. 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 2021 amounted to 743 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 2021 and 31 December 2020 is presented below:

	Subordinated loans
Book value as at 31 December 2019	**14,314**
Foreign exchange differences	3,234
Book value as at 31 December 2020	**1,548**
Foreign exchange differences	(210)
Book value as at 31 December 2021	**17,338**

20. LEASE LIABILITIES

Information on changes in the carrying amount of lease liabilities in cases where the Bank acts as a lessee for 2021 and 2020 is presented as follows:

	Buildings and structures	Total
Balance as at 31 December 2019	**261**	**261**
Acquisition	331	331
Interest expenses	18	18
Repayment	(158)	(158)
Foreign exchange differences	48	48
Disposal	-	-
Modification	(80)	(80)
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**

21. DERIVATIVE FINANCIAL LIABILITIES

	31 December 2021	31 December 2020
Derivative financial liabilities	69	2
Total financial assets held to maturity	**69**	**2**

Transactions with derivative financial instruments in 2021 are not significant: turnover in financial assets amounted to about 590 thousand rubles, on financial liabilities — 110 thousand rubles.

Net income from operations with derivative financial instruments in the reporting year amounted to 293 thousand rubles.

22. OTHER LIABILITIES

	31 December 2021	31 December 2020
Other payables	732	688
Accrued commission expenses	375	269
Other operating expenses accrued	108	116
Other banking services expenses accrued	14	20
Income of future periods	10	14
Total other financial liabilities	**1,239**	**1,107**
Tax accruals	1,479	526
Provision for unpaid leave	958	631
Deductions to the Individuals' Deposit Guarantee Fund	90	105
Allowance for credit related commitments	2	1
Total other non-financial liabilities	**2,529**	**1,263**
Total other liabilities	**3,768**	**2,370**

The movement in the allowance for credit related commitments is presented in Note 33 “Contingent Assets and Liabilities”.

23. EQUITY

As at 31 December 2021 and 31 December 2020, the announced, issued and fully paid share capital was presented as follows:

	31 December 2021	31 December 2020
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 2021, no investments were made in the Bank's share capital.

As at 31 December 2021 and 31 December 2020, 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.

22.1 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 2021	31 December 2020
Profit for the period owned by shareholders, thousand rubles	1,471	2,614
Average weighted number of ordinary shares in circulation, pieces	14,662	14,662
Basic earnings per ordinary share, thousand rubles	**0,1003**	**0,1783**

24. NET INTEREST INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income on loans and receivables, including:	18,883	12,071
On loans to customers	*17,302*	*10,367*
On amounts due from banks	*151*	*192*
On financial assets measured at fair value through other comprehensive income	*1,430*	*1,512*
Other interest income	664	610
Total interest income	**19,547**	**12,681**
Interest expenses on financial liabilities measured at amortized cost, including:	(12,336)	(8,401)
On amounts due to customers and subordinated loans	*(10,378)*	*(6,917)*
On own issued securities	*(1,375)*	*(1,340)*
On amounts due to banks	*(583)*	*(144)*
Interest expenses on lease liability	(8)	(18)
Other interest expenses	(66)	(225)
Total interest expenses	**(12,410)**	**(8,644)**
Total net interest income	**7,137**	**4,037**

25. NET COMMISSION INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Commission income		
Commissions on transactions with customers	7,734	6,672
Commissions on transactions with bank payment cards	3,980	4,114
Other	305	203
Total commission income	**12,019**	**10,989**
Commissions on transactions with customers	(4,036)	(3,154)
Commissions on transactions in AIS "Raschet"	(582)	(864)
Commissions on transactions with banks	(164)	(139)
Commissions on foreign currency transactions	(39)	(87)
Commissions on securities transactions	(38)	(21)
Other	(85)	(110)
Total commission expenses	**(4,944)**	**(4,375)**
Total net commission income	**7,075**	**6,614**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Gain from transactions with financial assets measured at fair value through profit or loss	584	21
Loss from transactions with financial assets measured at fair value through profit or loss	(291)	(2)
Total net gain from transactions with financial assets measured at fair value through profit or loss	**293**	**19**

27. NET GAIN FROM FOREIGN CURRENCY TRANSACTIONS

	Year ended 31 December 2021	Year ended 31 December 2020
Loss from exchange differences	(100)	288
Profit from foreign currency transactions	1,973	2,071
Total net gain from foreign currency transactions	**1,873**	**2,359**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Income from transactions with financial instruments measured at amortized cost	179	16
Expense on transactions with financial instruments measured at amortized cost	(614)	(242)
Total net gain on operations with financial instruments measured at amortized cost	**(435)**	**(226)**

29. NET OTHER INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Fines received	1,289	806
Bonuses and rewards	888	32
Lease proceeds	295	283
Profit from previous years	187	(3)
Sum differences	81	114
State fees	74	39
Leasing of individuals	72	137
Net gain/(loss) from disposal of assets	(128)	(1)
Other	365	138
Total other income	**3,123**	**1,545**

30. PERSONNEL EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Bank employee benefits	6,361	5,724
Expenditures on contributions to the Social Protection Fund	2,033	1,836
Total personnel expenses	**8,394**	**7,560**

31. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Professional services	1,725	1,609
Insurance	866	573
Software expenses	741	704
Taxes other than income tax	546	641
Deductions to the Guarantee Fund for the Protection of Funds	393	457
Rent, utilities	382	470
Repair and maintenance	320	287
Transport expenses	142	157
Advertising and marketing	119	272
Communication and information services	105	112
Security	95	91
Other	363	385
Total administrative expenses	**5,797**	**5,758**

32. 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 2021 and 31 December 2020, 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 2021 and 31 December 2020:

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before tax	1,520	2,952
Estimated value of income tax at the statutory rate (25%)	380	738
Tax effect of income/ (expenses) not involved in taxation	(99)	(29)
Changes in the amount of the unrecognized deferred tax asset	(331)	(1,067)
Total income tax expense	**(49)**	**(354)**

Income tax expense is presented as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Current income tax expense	(30)	(353)
Deferred income tax expense	(19)	(1)
Total income tax expense	**(49)**	**(354)**

Temporary differences as at 31 December 2021 and 31 December 2020 are presented as follows:

	Year ended 31 December 2021	Year ended 31 December 2020
Deductible temporary differences		
Property and equipment and intangible assets	6,794	7,168
Other assets and liabilities	1,747	1,732
Financial assets measured at fair value through other comprehensive income	85	246
Investment property	4	16
Total deductible temporary differences	**8,630**	**9,162**
Deferred tax asset at tax rate (25%)	**2,158**	**2,291**
Taxable temporary differences		
Loans to customers, cash and cash equivalents, amounts due from banks	(1,547)	(539)
Lease assets and liabilities	3	-
Total taxable temporary differences	**(1,544)**	**(539)**
Deferred tax liability at tax rate (25%)	**(386)**	**(135)**
Unrecognized part of the deferred tax asset	(1,772)	(2,156)
Total net tax asset	**-**	**-**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Unrecognized deferred tax asset at the beginning of the year	2,156	2,144
Accrued for the year	(384)	12
Unrecognized part of the deferred tax asset	(1,772)	(2,156)
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.

33. 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 2021	31 December 2020
Unused credit lines	9,216	9,751
Guarantees issued	713	5,283
Total credit related commitments	**9,929**	**15,034**
Less allowance for credit related commitments	(2)	(1)
Total credit related commitments	**9,927**	**15,033**

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

	2021				2020
	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	(1)	-	-	(1)	(433)
(Accrual) / recovery of an allowance	(1)	-	-	(1)	432
Balance as at 31 December	**(2)**	**-**	**-**	**(2)**	**(1)**

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 2021 and 31 December 2020, 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.

34. OPERATING SEGMENTS OF THE BANK

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

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

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

1. Retail banking business. At the moment the Bank provides its customers with universal banking, including a full range of products and services most demanded by private individuals: lending, settlement and cash services, currency exchange operations, deposit operations, operations with precious metals and gemstones, issue and maintenance of bank payment cards, money transfers, leasing of safes and depository cells. The priority of the Bank in this operating segment in 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.

As at 31 December 2021:

Key indicators	Retail business	Corporate business	Treasury	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; derivative financial liability	59,433	112,470	14,658	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	9,785	2,229	5	-	**12,019**
Commission expenses	(4,861)	-	(83)	-	**(4,944)**
Net gain from transactions with financial assets measured at fair value through profit or loss	-	-	(435)	-	**(435)**
Net profit on financial instruments at amortized cost	-	-	1,873	-	**1,873**
Net income on foreign exchange	-	-	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	-	-	-	(16,059)	**(16,059)**
Financial result	**7,571**	**5,930**	**1,574**	**(13,555)**	**1,520**

As at 31 December 2020:

Key indicators	Retail business	Corporate business	Treasury	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	59,426	103,240	48,840	14,371	**225,887**
Amounts due to banks; amounts due to customers; debt securities issued; subordinated loans; lease liabilities; derivative financial liability	69,719	103333	9928	420	**183,400**
Other assets	-	-	-	3,972	**3,972**
Other liabilities	-	-	-	2,370	**2,370**
Income and expenses					
Interest income	1,655	8,359	2,667	-	**12,681**
Interest expenses	(4,351)	(2,636)	(1,657)	-	**(8,644)**
Commission income	8,647	2,334	8	-	**10,989**
Commission expenses	(4,310)	(17)	(48)	-	**(4,375)**
Net gain from transactions with financial assets measured at fair value through profit or loss	-	-	19	-	**19**
Net profit on financial instruments at amortized cost	-	-	(226)	-	**(226)**
Net income on foreign exchange	-	-	2,359	-	**2,359**
Net (accrual) / recovery of other allowances, net (accrual) / recovery of the allowance for impairment of financial assets, credit related commitments and inventories	225	2,501	1,026	(167)	**3,585**
Other income	-	-	-	1,545	**1,545**
Personnel expenses, amortization/ depreciation, administrative expenses	-	-	-	(14,981)	**(14,981)**
Financial result	**1,866**	**10,541**	**4,148**	**(13,587)**	**2,952**

35. RISK MANAGEMENT

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

The table below shows the analysis of financial assets by loan quality in accordance with the availability of ratings of international rating agencies Standard&Poor's and Fitch as at 31 December 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, 99	-	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**
Other financial assets	-	-	-	-	515	**515**
Total financial assets	**-**	**421**	**53,058**	**-**	**152,879**	**206,358**

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 2020.

31 December 2020	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)	-	191	2,081	-	19,826	**22,098**
Due from banks	-	-	3,329	-	3,270	**6,599**
Loans to customers	-	-	-	-	146,405	**146,405**
Financial assets measured at fair value through profit or loss	-	-	-	-	21	**21**
Financial assets measured at fair value through other comprehensive income	-	-	-	-	29,921	**29,921**
Other financial assets	-	-	-	-	209	**209**
Total financial assets	**-**	**191**	**5,410**	**-**	**199,652**	**205,253**

Market risk

The Bank assumes the market risk associated with open positions in interest rate, currency, debt and equity instruments that are subject to the risk of general and specific market changes.

The management strategy for this type of risk and direct control is carried out under the guidance of the Bank's Management Board and the Bank's Financial Committee.

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

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

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

Country risk

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

The following is a geographical analysis of the assets and liabilities of the Bank as at 31 December 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**
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**
Subordinated loans	-	-	17,338	**17,338**
Lease liabilities	104	-	-	**104**
Derivative financial liability	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**

The following is a geographical analysis of the assets and liabilities of the Bank as at 31 December 2020:

31 December 2020	Belarus	OECD countries	Other countries	Total
Financial assets				
Cash and cash equivalents	28,024	-	536	**28,560**
Due from banks	6,599	-	-	**6,599**
Loans to customers	144,037	-	2,368	**146,405**
Financial assets measured at fair value through profit or loss	21	-	-	**21**
Financial assets measured at fair value through other comprehensive income	29,921	-	-	**29,921**
Other financial assets	209	-	-	**209**
Total financial assets	**208,811**	**-**	**2,904**	**211,715**
Financial liabilities				
Due to banks	1,260	2,683	5,985	**9,928**
Due to customers	124,034	-	17,808	**141,842**
Debt securities issued	13,660	-	-	**13,660**
Subordinated loans	-	-	17,548	**17,548**
Lease liabilities	420	-	-	**420**
Derivative financial liability	2	-	-	**2**
Other financial liabilities	1,107	-	-	**1,107**
Total financial liabilities	**140,483**	**2,683**	**41,341**	**184,507**
Net balance sheet position	**68,328**	**(2,683)**	**(38,437)**	**27,208**

Currency risk

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

The Bank sets limits on the level of accepted risk in terms of currencies and in general, both at the end of each day and within one day, and monitors compliance with them on a daily basis.

Control over the state of the open currency position and its actual size, as well as compliance with the single limits of the open currency position and limits for each type of foreign currency as a whole for the Bank is carried out by the Treasury on the basis of accounting data on balance and off-balance accounts for each day.

The table below provides an analysis of the currency risk of the Bank as at 31 December 2021. 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 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**
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**
Subordinated loans	-	-	17,338	-	**17,338**
Lease liabilities	-	100	4	-	**104**
Derivative financial liability	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 provides an analysis of financial assets and liabilities of the Bank as at 31 December 2020:

31 December 2020	BYN	EUR	USD	Other currencies	Total
Financial assets					
Cash and cash equivalents	18,518	2,917	5,604	1,521	**28,560**
Due from banks	1,596	1,593	3,410	-	**6,599**
Loans to customers	78,111	17,992	48,492	1,810	**146,405**
Financial assets measured at fair value through profit or loss	21	-	-	-	**21**
Financial assets measured at fair value through other comprehensive income	13,044	1,629	15,248	-	**29,921**
Other financial assets	92	4	113	-	**209**
Total financial assets	**111,382**	**24,135**	**72,867**	**3,331**	**211,715**
Financial liabilities					
Due to banks	1,254	8,671	3	-	**9,928**
Due to customers	69,520	19,333	49,611	3,378	**141,842**
Debt securities issued	12,940	-	720	-	**13,660**
Subordinated loans	-	-	17,548	-	**17,548**
Lease liabilities	12	387	21	-	**420**
Derivative financial liability	2	-	-	-	**2**
Other financial liabilities	642	53	412	-	**1,107**
Total financial liabilities	**84,370**	**28,444**	**68,315**	**3,378**	**184,507**
Net balance sheet position	**27,012**	**(4,309)**	**4,552**	**(47)**	**27,208**

The table below presents an analysis of the Bank's sensitivity in 2021 and 2020 to 30% and 10% weakening of the national currency rate against the US dollar, Euro and other currencies, respectively. The analysis suggests that other factors, such as interest rates, remain unchanged.

	31 December 2021 30%	31 December 2020 10%
Effect on profit before tax		
USD	(118)	455
EUR	919	(431)
Other currencies	1,057	(5)
Effect on total income including taxation		
USD	(88)	341
EUR	689	(323)
Other currencies	793	(4)

Liquidity risk

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

The Bank is exposed to the risk due to the daily requirements to have fund for performing settlements transactions 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.

Also, the interbank lending market demonstrates consistently high indicators of activity, indicators of the ratio of supply and demand, the general level of market interest rates indicate its acceptable conjuncture. The Bank's level of access to the market is sufficient to meet the challenges of obtaining financing to cover, if necessary, the emerging liquidity deficit.

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 2021 and 31 December 2020.

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
Subordinated loans	**17,338**	**22,351**	63	304	372	21,612
Lease liabilities	**104**	**104**	2	14	28	60
Derivative financial liability	**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 table below shows the analysis of financial liabilities due to their maturities as at 31 December 2020:

31 December 2020	Value in the statement of financial position	Undiscounted cash flow	Up to 1 month	From 1 to 6 months	From 6 months to 1 year	More than 1 year
Financial liabilities						
Due to banks	**9,928**	**9,928**	9,928	-	-	-
Due to customers	**141,842**	**162,097**	78,102	50,326	26,639	7,030
Debt securities issued	**13,660**	**17,533**	123	592	727	16,091
Subordinated loans	**17,548**	**19,764**	77	373	457	18,857
Lease liabilities	**420**	**420**	118	135	81	86
Derivative financial liability	**2**	**2**	2	-	-	-
Other financial liabilities	**1,107**	**1,107**	1,107	-	-	-
Total potential future payments on financial liabilities	**184,507**	**210,851**	**89,457**	**51,426**	**27,904**	**42,064**

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

Interest rate risk

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

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

Cash flow sensitivity analysis to changes in interest rates

A change in the interest rate by 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 2021		31 December 2020	
	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	6,616	(6,616)	6,829	(6,829)
Impact on equity				
Floating interest rate instruments	4,962	(4,962)	5,122	(5,122)

Operational risk

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

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

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

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

- development and implementation of information security policy (including cyber security);
- increasing the efficiency of the information security system (including exposure to cyber risk), including through the use of modern software;
- expanding the tools for preventing fraud;
- installation of new computing facilities and upgrading of server equipment to reduce the Bank's IT risk;
- modernization of the functioning of the IT infrastructure and improvement of the Bank's business processes in the field of IT;
- development of corporate culture and improvement of personnel motivation policy, as well as provision of personnel development.

36. 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 2021 is 66,660 thousand Belarusian rubles (as at 31 December 2020 – 58,100 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 2021	31 December 2020
Basic capital	37,139	32,939
Tier 2 capital	29,890	30,819
Total regulatory capital	**67,029**	**63,758**
Risk-weighted assets	160,395	172,428
Capital adequacy ratio	**41,8%**	**37,0%**

37. 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 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**
Derivative financial liability	-	69	-	**69**

31 December 2020	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	-	21	-	**21**
Financial assets measured at fair value through other comprehensive income	-	29,921	-	**29,921**
Derivative financial liability	-	2	-	**2**

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 31.12.2021	Fair value as at 31.12.2021	Book value as at 31.12.2020	Fair value as at 31.12.2020
Financial assets				
Cash and cash equivalents	42,394	42,394	28,560	28,560
Due from banks	14,200	14,200	6,599	6,599
Loans to customers	127,861	133,423	146,405	154,959
Other financial assets	515	515	209	209
Total financial assets	**184,970**	**190,532**	**181,773**	**190,327**
Financial liabilities				
Due to banks	14,658	14,658	9,928	9,928
Due to customers	141,954	141,954	141,842	141,842
Debt securities issued	12,542	12,542	13,660	13,660
Subordinated loans	17,338	17,338	17,548	17,548
Lease liabilities	104	104	420	420
Other financial liabilities	1,239	1,239	1,107	1,107
Total financial liabilities	**187,835**	**187,835**	**184,505**	**184,505**

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.

38. ANALYSIS OF MATURITIES OF ASSETS AND LIABILITIES

The table below presents assets and liabilities by expected maturities:

	2021			2020		
	Within one year	More than one year	Total	Within one year	More than one year	Total
Assets						
Cash and cash equivalents	42,394	-	**42,394**	28,560	-	**28,560**
Due from banks	1,386	12,814	**14,200**	1,507	5,092	**6,599**
Loans to customers	34,475	93,386	**127,861**	36,135	110,270	**146,405**
Financial assets measured at fair value through profit or loss	74	-	**74**	21	-	**21**
Financial assets measured at fair value through other comprehensive income	5,022	27,014	**32,036**	17,882	12,039	**29,921**
Investment property	-	107	**107**	-	252	**252**
Property and equipment and intangible assets	-	248	**248**	-	13,709	**13,709**
Right-of-use assets	-	107	**107**	-	420	**420**
Other assets	-	14,622	**14,622**	3,972	-	**3,972**
Total assets	**87,995**	**148,191**	**236,185**	**88,077**	**141,782**	**229,859**
Liabilities						
Due to banks	12,767	1,891	**14,658**	7,253	2,675	**9,928**
Due to customers	124,856	17,098	**141,954**	135,030	6,812	**141,842**
Debt securities issued	-	12,542	**12,542**	-	13,660	**13,660**
Finance lease debt	-	-	**-**	-	-	**-**
Subordinated loans	-	17,338	**17,338**	-	17,548	**17,548**
Lease liabilities	-	104	**104**	-	420	**420**
Derivative financial liability	69	-	**69**	2	-	**2**
Other liabilities	3,768	-	**3,768**	2,370	-	**2,370**
Total liabilities	**144,655**	**48,973**	**190,433**	**144,655**	**41,115**	**185,770**
Net long balance sheet position	**(53,465)**	**99,218**	**45,752**	**(56,578)**	**100,667**	**44,089**

Information on the contractual undiscounted liabilities of the Bank before maturity is disclosed in Note 35 “Risk Management”.

39. RELATED PARTIES TRANSACTIONS

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

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

	31 December 2021	31 December 2020
Loans to customers	8,968	13,642
Allowance for impairment on loans to customers	(1)	(6)
Total	**8,967**	**13,636**

As at 31 December 2021 loan liabilities to the Bank are owned by UE “Technohimtreid”, CJSC “Holography Industry”, LLC “Dududki” MKSNRiT”, Alm Investment FZE , “Saturn-info”.

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

The following are the funds raised from related parties:

	31 December 2021	31 December 2020
Due to customers	124	2,071
Subordinated loans	17,338	17,548
Total	**17,462**	**19,619**

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

	31 December 2021	31 December 2020
Interest income and expenses		
Interest income	12	43
Interest expenses	(763)	(240)
Total	**(751)**	**(197)**

The composition of the controlling party: legal entities — LLC "Intersportproekt",

Saturn-info LLC, Alm Investment FZE; individuals members of the Supervisory Board of the Bank. In 2021, the interest paid on deposits amounted to 1 thousand rubles.

The key management personnel of the Bank include 20 employees of the Bank. Interest on deposits for 2021 amounted to 3 thousand rubles. The conditions for attracting deposits and issuing loans do not differ from other similar deposit/loan agreements.

40. SUBSEQUENT EVENTS

In February-March 2022, the economic situation in the Republic of Belarus was negatively affected by the sudden geopolitical tension between the Russian Federation and Ukraine, as well as related international sanctions against a number of Russian and Belarusian institutions, companies, banks and citizens.

These factors led to a significant increase in instability in financial markets, a sharp change in prices for financial instruments, an increase in spreads on trading operations, a decrease in the sovereign rating of the Republic of Belarus and Belarusian banks.

These events require an additional assessment of the impact on the Bank's activities and adaptation to the changing external environment characterized by significant uncertainty. The actual future operating environment and its impact on the Bank and its operations may differ from management's current expectations.

Due to the crisis caused by international sanctions against the Republic of Belarus and the Russian Federation, the business activity of clients has decreased. The Bank's assessment of the quality of the loan portfolio shows that there has been no significant deterioration in the financial condition of the borrowers.

Over the past period, there has been a revision of the credit ratings of the Republic of Belarus. On March 4, 2022, Standard & Poors downgraded the long-term credit rating of Belarus from "B" to "CCC".

International sanctions have been applied against the banks of the Republic of Belarus and the Russian Federation with which the Bank works. At the end of March 2022, international rating agencies revoked the ratings of the Russian Federation and Russian banks.

From 01.03.2022, the refinancing rate was increased from 9.25% to 12.0%.

As at June 06, 2022, the exchange rate of the Belarusian ruble on the foreign exchange market of the Republic of Belarus against the US dollar amounted to 2.6109 Belarusian rubles for 1 US dollar, against the euro — 2.7864 Belarusian rubles for 1 euro.

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