OJSC "Paritetbank"

International Financial Reporting Standards
Financial Statements and
Independent Auditors' Report

For the year ended
31 December 2022

Contents

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Independent Auditors' Report

To the Shareholders and Management of Open Joint-Stock Company "Paritetbank"

Audit Opinion

We have audited the financial statements of Open Joint-Stock Company "Paritetbank" (the "Bank" or "audited entity") (location: 61a, Kiseleva str., Minsk, Republic of Belarus, 220002, date of state registration: 15 May 1991, registration number in the Unified State Register of Legal Entities and Individual Entrepreneurs: 100233809) which comprise the statement of financial position as at 31 December 2022, the statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Audit Opinion

We conducted the audit in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing" (with subsequent amendments and additions), the Instruction "On Regulation of Auditing Activities in Banks, Bank Groups and Bank Holdings" approved by the Resolution of the Board of the National Bank of the Republic of Belarus dated 11 December 2019 No. 495 (as subsequently amended), national auditing rules and the International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' 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* (including International Independence Standards) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the International Code of Ethics. 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.

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Expected credit loss allowance for loans to corporate customers	
See Notes: 10 Loans to Customers and 27 Risk Management.	
The key audit matter	**How the matter was addressed in our audit**
Loans to customers measured at amortized cost represent 48.4% of total assets and are stated net of allowance for expected credit losses (the "ECL") that is estimated on a regular basis and is sensitive to assumptions used. To assess ECL management needs to apply professional judgment and to make assumptions related to the following key areas: - timely identification of a significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with IFRS 9 *Financial Instruments* ("IFRS 9")); - assessment of probability of default (PD) and loss given default (LGD); - assessment of the add-on adjustment to account for different scenarios and forward-looking information; - expected cash flows forecast for loans to customers classified in Stage 3. Due to the significant volume of loans to customers and the related ECL allowance estimation uncertainty, this area is a key audit matter.	We analyzed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including involvement into the analysis of financial risks management specialists. Our audit procedures over the input data and calculations of ECL include the following: - We assessed the design and tested the operating effectiveness of controls in respect of the timely transfer of overdue receivables to the respective accounts for overdue receivables. - For a sample of corporate loans and borrowers we analyzed financial and non-financial information, as well as professional judgments applied by the Bank to assess if the sampled items are appropriately classified into stages of loss and rating assigned by the Bank for borrowers, and also on a sample basis tested input data used in the rating models. - For retail loans selected for test of details we checked the completeness and accuracy of the input data used for ECL calculation, the timeliness of late payments and repayments recognition and correct classification of loans by stages. - On a sample basis, we tested the correctness of the inputs used to calculate PD, LGD and EAD for corporate loans. - We assessed the predictive capability of the Bank's ECL calculation methodology by comparing the estimates made as at 1 January 2022 with the actual results for 2022. - We analyzed the overall adequacy of the add-on adjustment to account for different scenarios and forward-looking information considering current and future economic situation and business environment of certain categories of borrowers. - For a sample of Stage 3 corporate loans, where ECLs are assessed individually, we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realizable collateral and their expected disposal terms based on our understanding and publicly available market information. We specifically focused on loans to customers for which a potential change in the ECL allowance may have the most significant impact on the financial statements. We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk. In addition, we reviewed whether the disclosures of key judgments and assumptions are sufficiently informative.

Responsibilities of the Audited Entity for the Preparation of Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance represents a high degree of confidence, but is not a guarantee that the audit conducted in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing" (as subsequently amended), the Instruction "On Regulation of Audit Activities in Banks, Bank Groups and Bank Holdings" approved by the Resolution of the Board of the National Bank of the Republic of Belarus dated 11 December 2019 No. 495 (as subsequently amended), national auditing rules and International Standards on Auditing, always reveals material misstatements when they exist. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

While conducting the audit in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing" (as subsequently amended), the Instruction "On Regulation of Auditing Activities in Banks, Bank Groups and Bank Holdings" approved by the Resolution of the Board of the National Bank of the Republic of Belarus dated 11 December 2019 No. 495 (as subsequently amended), national auditing rules, and International Standards on Auditing, we apply 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 or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Bank 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Engagement Partner, Director — **Irina Vladimirovna Vereschagina** (auditor qualification certificate no. 0000580)

Engagement In-charge — **Olga Viktorovna Stanovaya** (auditor qualification certificate no. 0002468)

Limited Liability Company "Kept"

Member of Self-Regulating Organization of Audit Firms and Auditors in the Republic of Belarus "Audit Chamber".

Legal address: 49 Platonova street, Room 26-7, Minsk, 220012, the Republic of Belarus.

Registration: Registered by the Minsk City Executive Committee on 10 February 2011, Registration No. in the Unified State Register of Legal Entities and Individual Entrepreneurs: 191434140, Registration No. of the audit firm in the Register of Audit Organizations: 10038.

Minsk, Belarus

26 April 2023

This report is the English translation of the original Russian. In the event of discrepancies between the two reports, the Russian version prevails.

Independent Auditors' Report received:	*Date ~~26 April 2023~~*
S.A. Karpov, Chairman of the Management Board	*(signature)*

STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Belarusian Rubles)

	Notes	31 December 2022	31 December 2021
ASSETS:			
Cash and cash equivalents	6	229,566	137,809
Amounts due from financial institutions	7	24,894	1,484
Securities	8	111,433	95,102
- including those pledged under repurchase agreements		*4,764*	*19,175*
Derivative financial assets	9	423	867
Mandatory reserve deposits with the National Bank of the Republic of Belarus		5,125	5,757
Loans to customers	10	391,812	373,913
Non-current assets held-for-sale	11	76	741
Investment property	14	13,223	14,535
Property and equipment	12	17,671	19,811
Intangible assets	13	9,917	9,272
Deferred income tax assets	15	-	641
Other assets	16	5,663	4,803
TOTAL ASSETS		**809,803**	**664,735**
LIABILITIES AND EQUITY			
LIABILITIES:			
Amounts due to financial institutions	17	44,390	65,975
Derivative financial liabilities	9	389	6
Customer accounts	18	557,780	404,912
Debt securities issued	19	69,342	70,214
Deferred income tax liabilities	15	844	-
Other liabilities	16	9,480	8,139
TOTAL LIABILITIES		**682,225**	**549,246**
EQUITY:			
Share capital	20	153,754	153,754
Treasury shares		(136)	(136)
Fair value revaluation reserve for investments measured at FVOCI		(742)	(232)
Accumulated loss		(25,298)	(37,897)
TOTAL EQUITY		**127,578**	**115,489**
TOTAL LIABILITIES AND EQUITY		**809,803**	**664,735**

The Notes on pages 13-91 form an integral part of these Financial Statements.

Chairman of the Management Board
S.A. Karpov
21 April 2023
Minsk

Chief Accountant
E.M. Skriba
21 April 2023
Minsk

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Belarusian Rubles)

	Notes	2022	2021
Interest income calculated using the effective interest rate method		92,143	65,556
Interest expense		(44,300)	(35,022)
NET INTEREST INCOME	**22**	**47,843**	**30,534**
Creation of allowances for ECL on interest-bearing financial assets	6,7,8,10	(11,425)	(10,497)
Net interest income after allowances for ECL on interest-bearing financial assets		36,418	20,037
Net fee and commission income	23	12,837	9,086
Net income from transactions with securities		155	170
Net income from transactions in foreign currencies and derivative financial instruments	24	16,119	10,748
Other income	25	4,917	4,353
NON-INTEREST INCOME		34,028	24,357
Personnel costs	26	(25,523)	(18,782)
Depreciation and amortization	12, 13	(5,859)	(4,864)
Other operating expenses	26	(20,395)	(15,219)
Creation of allowances for ECL on non-interest bearing financial assets and credit related commitments	16, 21	(2,509)	(1,010)
Impairment of investment property		(1,312)	-
Loss from changes in fair value of non-current assets held for sale, less selling costs		-	(217)
NON-INTEREST EXPENSES		(55,598)	(40,092)
Profit before income tax expense		14,848	4,302
Income tax expense	15	(2,248)	(313)
Profit for the year		**12,600**	**3,989**

The Notes on pages 13-91 form an integral part of these Financial Statements.

Chairman of the Management Board
S.A. Karpov
21 April 2023
Minsk

«ПАРИТЕТБАНК»

Chief Accountant
E.M. Skriba
21 April 2023
Minsk

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Belarusian Rubles)

	Notes	2022	2021
PROFIT FOR THE YEAR		**12,600**	**3,989**
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified subsequently to profit or loss			
Comprehensive income transferred to the statement of profit or loss on disposal of investments measured at FVOCI		(155)	(170)
Change in fair value of financial assets		(1,220)	(1,200)
Change in deferred income tax recognized in equity		567	(6)
Change in allowance for ECL on securities measured at FVOCI		298	26
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**12,090**	**2,639**

The Notes on pages 13-91 form an integral part of these Financial Statements.

Chairman of the Management Board
S.A. Karpov
21 April 2023
Minsk

Chief Accountant
E.M. Skriba
21 April 2023
Minsk

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Belarusian Rubles)

	Notes	Share capital	Treasury shares	Accumulated loss	Fair value revaluation reserve for investments measured at FVOCI	Total equity
As at 31 December 2020		153,754	(136)	(41,885)	1,118	112,851
Comprehensive income						
Profit for the year		-	-	3,989	-	**3,989**
Other comprehensive income for the year		-	-		(1,350)	**(1,350)**
Total comprehensive income for the year		-	-	3,989	(1,350)	**2,639**
Transactions with owners						
Dividends declared	20	-	-	(1)	-	**(1)**
As at 31 December 2021		**153,754**	**(136)**	**(37,897)**	**(232)**	**115,489**
Comprehensive income						
Profit for the year		-	-	12,600	-	**12,600**
Other comprehensive income for the year		-	-		(510)	**(510)**
Total comprehensive income for the year		-	-	12,600	(510)	**12,090**
Transactions with owners						
Dividends declared	20	-	-	(1)	-	**(1)**
As at 31 December 2022		**153,754**	**(136)**	**(25,298)**	**(742)**	**127,578**

The Notes on pages 13-91 form an integral part of these Financial Statements.

Chairman of the Management Board
S.A. Karpov
21 April 2023
Minsk

Chief Accountant
E.M. Skriba
21 April 2023
Minsk

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022
(in thousands of Belarusian Rubles)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expense		14,848	4,302
Adjustments for:			
Depreciation	12, 13	5,859	4,864
Net interest income		(47,843)	(30,534)
Creation of allowances for ECL on interest-bearing financial assets other than cash and cash equivalents	7,8,10	13,114	10,497
Creation/(reversal) of allowances for ECL on non-interest bearing financial assets and credit related commitments	16, 21	820	1,010
Net income from transactions with securities		(155)	(170)
Gain on subsequent increase in fair value of non-current assets held for sale, less selling costs		1,312	217
Loss/(profit) on disposal of property and equipment, intangible assets and investment property		(32)	(311)
Change in fair value of financial derivatives		827	(535)
Creation of a provision for unused vacations and accrued bonuses		2,297	787
Foreign exchange loss		27,790	4,223
Loss on disposal of long-term assets held for sale and other property		1,407	230
Effect of initial recognition of interest-bearing financial assets and liabilities		-	-
Cash flows from operating activities before changes in operating assets and liabilities		**20,244**	**(5,420)**
Decrease/(increase) in operating assets:			
Due from financial institutions and mandatory reserves with the National Bank of the Republic of Belarus		(28,502)	(2,050)
Loans to customers		(17,876)	(19,251)
Other assets		(3,039)	(2,200)
(Decrease) / increase in operating liabilities:			
Amounts due to financial institutions		(23,967)	(12,195)
Customer accounts		96,532	39,861
Other liabilities		(597)	(15)
Net cash outflow from operating activities before tax and interest received and paid		**42,795**	**(1,270)**
Recovered income tax		(196)	-
Interest received		91,335	69,000
Interests paid		(44,648)	(34,554)
Net cash outflow from operating activities		**89,286**	**33,176**

(in thousands of Belarusian Rubles)

CASH FLOWS FROM INVESTING ACTIVITIES:			
Acquisition of property and equipment and intangible assets	12, 13	(3,995)	(8,245)
Purchase of securities		(223,101)	(251,908)
Proceeds from redemption and sale of securities		211,738	240,150
Proceeds from sale of property and equipment and intangible assets		3,653	401
Net cash inflow from investing activities		**(11,705)**	**(19,602)**
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt securities	32	(5,460)	(8,610)
Issue of debt securities	32	4,360	8,156
Dividends paid	20	(1)	(1)
Payment of finance lease liabilities		(4,654)	(1,450)
Net cash inflow/(outflow) from financing activities		**(5,755)**	**(1,905)**
Effect of exchange rates changes on cash and cash equivalents		19,944	1,096
Effect of changes in expected credit losses on cash and cash equivalents		(13)	(3)
Net increase/(decrease) in cash and cash equivalents		91,757	12,762
Cash and cash equivalents at the beginning of the year	6	137,809	125,047
Cash and cash equivalents at the end of the year	6	**229,566**	**137,809**

The Notes on pages 13-91 form an integral part of these Financial Statements.

Chairman of the Management Board S.A. Karpov 21 April 2023 Minsk	Chief Accountant E.M. Skriba 21 April 2023 Minsk

1. ORGANIZATION

Commercial Bank "Poisk" (the "Bank") was registered by the National Bank of the Republic of Belarus (the "NB RB") under No. 5 on 15 May 1991. In 1992 the Bank was reorganized as SCB "Poisk" (Meeting of Shareholders dated 12 March 1992, Minutes No. 1) and registered in the NB RB on 2 July 1992 under No. 5. Since 1999 the Republic of Belarus has been the principal shareholder of the Bank. On 21 November 2000 the NB RB registered amendments and additions to the Statute of SCB "Poisk" approved by the meeting of the Bank's shareholders on 21 September 2000 (Minutes No. 2) and related to the change in the name to OJSC "Bank "Poisk". On 26 March 2004 the General Meeting of Shareholders of OJSC "Bank "Poisk" (Minutes No. 2) decided to rename OJSC "Bank "Poisk" to OJSC "Paritetbank". The changes were registered by the NB RB on 5 May 2004 under No. 5.

The Bank was issued license No. 5 of the National Bank of the Republic of Belarus dated 1 April 2021 (previously license No. 5 dated 27 October 2014 was in effect) to carry out banking operations and the following banking activities:

- attraction of funds of legal entities and individuals to accounts and deposits;
- placement of raised funds of legal entities in accounts and deposits on their own behalf and at their own expense under the repayment, payment, and maturity conditions;
- opening and maintaining bank accounts of legal entities;
- settlement and cash services to individuals and legal entities, including correspondent banks;
- currency exchange transactions;
- purchase and sale of precious metals in cases stipulated by the National Bank of the Republic of Belarus;
- issuance of bank guarantees;
- trust funds under the contract of trust management;
- issuance of bank payment cards;
- issuance of electronic money;
- issue of securities confirming the attraction of funds to deposits and placing them in the accounts;
- accounts receivable financing (factoring);
- provision to individuals and legal entities of special premises or safe boxes 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 the Bank and non-bank credit and financial organizations.

The Bank also holds a license for securities and stock exchange operations.

(in thousands of Belarusian Rubles)

The Bank has 26 structural divisions in the Republic of Belarus and a head office located in Minsk and having its registered address at 61a Kiseleva str., Minsk, Republic of Belarus 220002.

As at 31 December 2022 and 2021 the Bank's share capital was distributed among its shareholders as follows:

Shareholders	31 December 2022	31 December 2021
R. A. Ismailov	99.85%	99.85%
Other (legal entities and individuals)	0.15%	0.15%

2. OPERATING ENVIRONMENT OF THE BANK

Republic of Belarus. The Bank's operations are primarily located in the Republic of Belarus. Therefore, the Bank is exposed to the economic and financial markets of the Republic of Belarus which display characteristics of an emerging market. The legal, tax, and regulatory frameworks continue to develop but remain subject to varying interpretations and frequent changes, which, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Republic of Belarus. Following the aggravation of the geopolitical situation in the Republic of Belarus some countries have imposed sanctions against Belarusian legal entities and individuals. In July 2022, the international rating agency Fitch Ratings downgraded the long-term rating of the Republic of Belarus in a foreign currency from "C" to "RD" limited default. The long-term rating of the Republic of Belarus in the national currency remained at the level of "CCC".

The introduction and subsequent strengthening of sanctions led to an increase in economic uncertainty, including a reduction in the amount of foreign and domestic direct investments. Moreover, there is an increased risk that further sanctions may be imposed. These events can have a significant negative impact on the economy of the Republic of Belarus.

Based on Law No. 197-Z dated 18 July 2022 "On Amendments to the Laws on Securities Market Issues", the lessor's right to contract property lease payments in a foreign currency equivalent has been suspended from 23 September 2022 to 1 January 2024. During this period lease payments should be determined in Belarusian rubles without reference to a foreign currency exchange rate. These changes in legislation may have a material effect on the valuation of leases both for the lessee and the lessor.

The financial statements reflect management's assessment of how the Belarusian business environment has impacted the operations and financial position of the Bank. The business environment in the future may differ from management's assessment.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The Bank is required to maintain accounting records and prepare its financial statements in accordance with the laws and regulations of the Republic of Belarus on accounting and banking activities (hereinafter referred to as "BAS"). These financial statements are based on the Bank's statutory accounting records, as adjusted and reclassified in order to comply with IFRS.

These financial statements were prepared under the assumption that the Bank is a going concern and will continue to operate for the foreseeable future. The Management believes that the going concern assumption is appropriate for the Bank due to sufficient capital adequacy ratio (Note 33), and that on the basis of previous experience, short-term liabilities will be refinanced in the normal course of business.

The financial statements have been prepared on the historical cost basis, except for certain non-monetary items arising before 31 December 2014, which are accounted for in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, and items carried at fair value.

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

Financial instruments

Classification of financial assets

Under IFRS 9, financial assets are classified as:

– financial assets subsequently measured at amortized cost;

– financial assets subsequently measured at fair value through other comprehensive income;

– financial assets subsequently measured at fair value through profit or loss.

The Bank measures a financial asset at amortized cost if both of the following conditions are met and the asset is not classified at fair value through profit or loss at the Bank's discretion:

– financial asset is held for the purpose of receiving contractual cash flows;

– contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Bank measures an asset at fair value through other comprehensive income if both of the following criteria are met and the asset is not classified as at fair value through profit or loss at the Bank's discretion:

– financial asset is held for the purpose of both receiving contractual cash flows and selling financial assets;

– contractual terms of a financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends received from such investments are recognized by the Bank in profit or loss.

The Bank measures a financial asset at fair value through profit or loss in all other cases.

Business model assessment

In order to select an accounting model for amounts due from credit institutions, customer loans, and debt securities, the Bank determines the business model at the level that best reflects how the grouped financial assets are managed to achieve a particular business objective. The Bank's business model is measured not at the level of individual instruments, but at the higher level of portfolio aggregation, and is based on observable factors, such as:

– how the performance of the business model is measured, and the returns of the financial assets held within that business model, as well as how this information is communicated to the Bank's key management personnel;

- the risks that affect the performance of the business model (and the return on financial assets held within that business model) and how those risks are managed; how the managers are compensated (whether the compensation is based on the fair value of the assets managed or on the contractual cash flows received);

- expected frequency, volume and timing of sales.

Business model measurement is based on scenarios that are reasonably expected to occur, excluding "worst" or "stress" scenarios. If cash flows after initial recognition are realized in a manner other than the Bank's expectations, the Bank does not change the classification of the remaining financial assets held under the business model, but subsequently takes such information into account when assessing newly created or recently purchased financial assets.

Assessment of whether contractual cash flows are solely payments of principal and interest

Within the second stage of the classification process, the Bank assesses contractual terms for the asset to determine whether the asset's contractual cash flows are solely payments of principal and interest on the outstanding principal amount (SPPI test). For the purposes of the test "principal" is the fair value of financial asset at initial recognition and is subject to changes over the useful life of the financial asset. The most significant contractual interest elements are usually a consideration for time value of money and for credit risk. To conduct the SPPI test, the Bank applies judgment and analyzes relevant factors.

If the contractual terms have insignificant effect on risk exposure or volatility of contractual cash flows, which are not related to the basic loan agreement, do not provide for contractual cash flows that are solely payments of principal and interest on the outstanding principal amount, the financial asset is measured at fair value through profit or loss.

Classification of financial liabilities

The Bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortized cost or FVTPL.

Financial liabilities are measured at fair value through profit or loss when they meet the definition of held for trading or designated as such upon initial recognition. Classification as at fair value through profit or loss occurs when: the Bank has classified, at its discretion, a financial liability, at initial recognition without the right to subsequent reclassification as such classification eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; the fair value is used as the basis for managing a group of financial liabilities or financial assets; or financial liabilities held for trading, including derivative instruments.

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

Reclassification of financial assets and financial liabilities

Classification of financial assets after initial recognition does not change, except for in the period following the period when the Bank changes its business model with regard to financial assets management.

Financial liabilities are not reclassified subsequent to their initial recognition.

Assessment of financial assets and financial liabilities

On initial recognition, the Bank measures a financial asset (other than a trade receivable) or a financial liability at fair value, increased or decreased, in the case of a financial asset or financial liability not measured at fair value through profit or loss, by the amount of transaction costs that directly relate to the acquisition or issue of the financial asset or financial liability. If trade receivables do not contain a significant financing component, the Bank measures them at the transaction cost on initial recognition.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or

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

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level inputs that are significant to the fair value measurement as a whole:

Level 1. Quoted market price (unadjusted) in an active market for identical assets or liabilities;

Level 2. Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;

Level 3. Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

Cost is the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the asset at the date of acquisition and includes *transaction costs*.

Cost assessment applies only to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and to derivatives that are linked to such unquoted equity instruments and are settled by such equity instruments.

Transaction costs are incremental costs directly related to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition less the principal repayments, plus or minus the cumulative amortization, calculated using the effective interest rate method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The effective interest method is a method of recognition of interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortized over the whole expected life of the instrument. The discounted value calculation includes all fees paid or received by the parties to the contract that are an integral part of the effective interest rate.

Derecognition of financial instruments

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

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Any cumulative gain/loss recognized in other comprehensive income in respect of equity investment securities designated by the Bank as at FVOCI is not recognized in profit or loss on derecognition of such securities.

The Bank derecognizes a financial liability when its contractual obligations are fulfilled, canceled or terminated.

Modification of financial assets and liabilities

If the terms of a financial asset are modified, the Bank assesses whether cash flows related to such modified asset significantly differ. If the cash flows are substantially different (referred to as "substantial modification"), then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognized and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and

- other fees are included in profit or loss as part of the gain or loss on derecognition.

The modification does not include changes in the cash flows of the asset that are the result of contractual terms contained in the contract originally. If the expected cash flows change as a result of revisions to the estimated contractual cash flows, the gross carrying amount of the financial asset is recalculated and the amount of the adjustment is recognized in profit or loss.

In performing the derecognition modification analysis of financial assets, the Bank relies on the criteria for derecognition of financial liabilities by analogy.

Quantitative assessment of the materiality of the modification is applied in cases of changes in the terms of the contract, not related to the deterioration of the financial condition of the borrower (for financial assets in Stages 1 and 2).

A modification is deemed material if the net present value of the cash flows under the new terms of the financing (including any fees received or paid on the modification), discounted using the original effective interest rate, differs significantly (by analogy with the substantial modification test for financial liabilities) from the present value (discounted) of the remaining cash flows of the original debt instrument in accordance with the terms and conditions previously in effect.

Commissions include amounts paid or received by the parties directly or on behalf of each other and do not include amounts paid by the parties to their agents or other transaction costs.

If the difference between the present value of cash flows is not significant based on the results of the quantitative analysis, the Bank evaluates qualitative characteristics to determine how significant are the differences in conditions for a given instrument.

Signs of qualitative modification that may be significant (regardless of the presence of signs of quantitative modification) include:

- change of the counterparty;

- change of currency;

- change of the floating rate to fixed one and vice versa;

- change in terms that leads to non-compliance with the SPPI criterion.

In some cases, the effect of the modification may be offset by a reduction in expected credit losses due to a reduction in the expected amount of uncollected cash flows. In the absence of evidence that the modification is not attributable to a change in the credit risk of the borrower, the gain/loss on the modification of assets for which a credit impairment event is identified (Stage 3) is presented as an impairment gain or loss.

The Bank may grant various indulgences to borrowers in financial difficulty that would not be granted if the borrower was not in financial difficulty. Such reliefs include changes (modifications) to the terms of the contract by postponing payments to later dates, reducing interest payments and/or principal payments, and partial or full refinancing by replacing the existing debt with debt with more acceptable ("softened") terms of service for the borrower. Typically, at the time relief is granted, such loans are credit-impaired (Stage 3) and their gross carrying amount is reduced by the amount of provisions reflecting expectations of underperformance of contractual cash flows. For such assets, the quantitative test for derecognition is performed after determining the amount to be partially derecognized (written off) regardless of whether a portion of the principal or interest is forgiven. If the modification of a credit-impaired loan is accompanied by a change in the qualitative characteristics of the cash flows described above (for example, a change in currency), the former ("old") financial instrument is derecognized and the new one is recognized.

The Bank derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

The Bank performs quantitative and qualitative assessment of whether modification is significant analyzing qualitative factors, quantitative factors and the overall effect of qualitative and quantitative factors. The Bank concludes that a modification is significant based on the following qualitative factors:

– change in the currency of the financial liability;

– inclusion of conversion option;

– change in the subordination of the financial liability.

For the quantitative assessment, the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortized cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognized in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognized as an adjustment to the carrying amount of the liability and amortized over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Agreements containing the right of the Bank to initiate a change in the interest rate

Under the terms of certain agreements, in certain cases, the Bank has the right to revise the interest rate on the loan, in particular, in case of an increase in the refinancing rate of the National Bank of the Republic of Belarus of the Bank's cost of funding. If the borrower does not agree with the rate increase, they have the right to repay the loan prematurely.

For fixed-rate loans, where the borrower has an option to prepay the loan at par without significant penalty, the Bank treats the modification of an interest rate to a current market rate using the guidance on floating-rate financial instruments. This means that the effective interest rate is adjusted prospectively.

Write-off of financial assets

The Bank reduces the gross carrying amount of a financial asset if there is no reasonable expectation that the financial asset will be recovered in full or in part. Write-off is an event leading to derecognition. If the Bank determines that the borrower has no assets or sources of income that can generate sufficient cash flows to repay the amounts subject to write-off. This assessment is carried out at the individual asset level.

Financial assets that are written off could still be subject to enforcement activities of the Bank in order to comply with the Bank's procedures for recovery of amounts due.

Impairment of financial assets

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

In accordance with the requirements of IFRS 9, the Bank applies the expected credit loss model for the purposes of provisioning financial instruments, the key principle of which is timely reflection of deterioration or improvement of credit quality of financial instruments taking into account current and forward-looking information. The amount of expected credit losses recognized as an allowance for expected credit losses depends on the degree of change in the credit quality of the financial instrument from its initial recognition date (the date on which the Bank assumes the obligation is used as the initial recognition date for credit related commitments).

According to the general approach, at the date of recognition, financial instruments are classified to Stage 1 of provisioning, then, depending on the degree of deterioration of credit quality from the date of initial recognition to the subsequent reporting dates, the Bank classifies financial instruments into one of the following stages:

Stage 1 - Financial instruments that have no factors indicating a significant increase in credit risk and no evidence of impairment for which expected credit losses are calculated due to events of default on the financial instrument, possible within 12 months after the reporting date;

Stage 2 - Financial instruments with factors indicating a significant increase in credit risk but no signs of impairment, for which expected credit losses are calculated for the entire life cycle of the financial instrument;

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

Credit-impaired financial assets acquired or created are not transferable from Stage 3.

Significant increase in credit risk

The Bank considers a significant increase in credit risk at the reporting date if, among other things, the following signs are present: overdue debt on financial assets for more than 30 days for individuals and legal entities (more than 3 days - for financial institutions), as well as a significant deterioration in the credit rating of the counterparty for legal entities and individual entrepreneurs and financial institutions, determined according to the developed rating change matrix.

At each reporting date, the Bank estimates the expected credit losses on the financial instrument to be equal to the expected credit losses for the full term if the credit risk on that financial instrument has increased significantly since initial recognition. If at the reporting date there is no significant increase in credit risk on the financial instrument since initial recognition, the Bank measures the estimated allowance for expected credit losses on that financial instrument in the amount equal to 12-month expected credit losses.

In cases where there was a significant increase in credit risk at the previous reporting date compared to the date of initial recognition and the financial asset was classified to Stage 2, and at the reporting date there are no factors indicating a significant increase in credit risk compared to the date of initial recognition, the asset is classified to Stage 1 and expected credit losses are determined on a 12 month horizon, and the allowance is to be reversed.

Factors indicating evidence of impairment (default criteria)

The main factors that indicate the presence of indicators of impairment (default) and attributing a financial asset to Stage 3 are:

for legal entities:

- debt overdue for more than 90 days;
- client's written waiver (official statement) from the debtor's performance of obligations under the contract;
- initiation of economic insolvency (bankruptcy) proceedings against the client by an economic court;
- restructuring or refinancing of debts related to the financial difficulties of the client;
- the existence of a default by the parent entity or a related debtor;
- the decision of the Problem Assets Committee to transfer the overdue debt for further support to the Problem Debt Department;
- failure of the counterparty, guarantor to repay the entire amount presented by the Bank (banks) for early collection of the debt on the previously committed active credit transaction within the period specified by the request of the Bank (banks);
- motivated judgment of the Bank's management if an active market disappears due to economic or political events in the country, or if legislation is expected to be introduced that may significantly affect the debtor's financial position;

for individuals:

- debt overdue for more than 90 days;
- restructuring or refinancing of debts related to the financial difficulties of the client;
- the existence of a default by an interrelated debtor;
- the decision of the Problem Assets Committee to transfer the overdue debt for further support to the Problem Debt Department;
- failure of the counterparty, guarantor to repay the entire amount presented by the Bank (banks) for early collection of the debt on the previously committed active credit transaction within the period specified by the request of the Bank (banks);
- motivated judgment of the Bank's management if an active market disappears due to economic or political events in the country, or if legislation is expected to be introduced that may significantly affect the debtor's financial position;

for financial institutions:

- debt overdue for more than 30 days;

- suspension, termination, cancellation, revocation of special permits (licenses) to carry out banking activities, which may affect the performance of obligations by the Bank;

- availability of confirmed information on appointment of a temporary administration to manage the Bank, decision on liquidation of the Bank by decision of its members or the Bank's body authorized by its charter;

- absolute decrease in the Bank's capital by more than twenty percent compared to the maximum amount reached in the previous twelve months;

- suspension by authorized bodies of transactions with the Bank's correspondent accounts and/or seizure of the Bank's funds in the accounts opened by the Bank.

Generating the term structure of PD

PD of corporate clients is assessed on the basis of internal credit ratings calculated in accordance with the Methodology for assigning internal ratings to legal entities and individual entrepreneurs in OJSC "Paritetbank" (as amended by the Decision of the Board of OJSC "Paritetbank" dated 31 December 2019 No. 103). Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

The indicator of default for credit claims on legal entities is determined at the counterparty level. If a default occurs on a separate credit claim against a counterparty, it is considered that the default occurs on all of the Bank's credit claims against the counterparty (default occurs at the counterparty level). For financial assets in Stage 3 of credit risk or POCI (purchased or originated credit impaired) financial assets of legal entities, the lifetime allowance for impairment is determined on an individual basis.

Credit risk grades are a primary input into the determination of the term structure of PD for exposures. The Bank collects information on the quality of debt service and the level of default for items exposed to credit risk. The Bank employs statistical models to analyze the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change over time.

PD is calculated based on the multiplication of migration matrices by quality categories defined on the basis of internal credit ratings.

In order to determine the probability of default, loans to individuals, depending on the type of product, are divided into two groups: consumer loans and loans under partnership programs.

The PIT PD of retail clients is assessed for homogeneous loans by aging: not past due, 1 to 30 days past due, 31 to 60 days past due, 61 to 90 days past due, over 90 days past due. PD is calculated based on the multiplication of migration matrices by periods of delay.

The probability of default of financial institutions is assessed on the basis of external credit ratings established by external rating agencies. If there is no long-term credit rating assigned to the Bank by international rating agencies (from among Fitch, S&P, Moody's), the Bank calculates a quasi-rating and uses this rating to calculate the expected credit losses on assets in these banks. The calculation of the quasi-rating is based on the analysis of the Bank's financial statements, the dynamics of financial indicators and the ratio analysis.

Measurement of expected credit losses

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

ECL = PD x LGD x EAD,

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

LGD is loss given default. This value is an estimate of losses that occur in the event of default at a certain point in time.

EAD (exposure at default) is the value of the credit claim exposed to the risk of default.

The methodology of estimating PDs is discussed above under the heading "Generating the term structure of PD".

The Bank evaluates LGDs based on information on the repayment rates of counterparties that have defaulted on their obligations, as well as the repayment rates upon sale of collateral for each secured loan.

When calculating the adequacy of collateral for loans provided to legal entities, the possible realizable value of the collateral provided as security is determined. For this purpose, the market value of the property is determined, taking into account the forecasts of its change up to the anticipated moment of sale of the property. Flows from possible sale of collateral are calculated on the basis of discounted cash flows using the effective interest rate as a discount factor and are included in the calculation of the level of recovery upon sale of collateral for each loan.

The general principles of provisioning for financial institutions and governmental authorities are similar to the general approach for corporate clients, but for the calculation of LGD in this case the Bank uses external sources of information based on actual losses incurred when financial institutions or governments default.

Moody's annual reports are used as information on the level of reimbursement, taking into account the distribution by rating.

The assessment of ECL on accounts receivable is implemented similar to the calculation used for loans to individuals and legal entities. For receivables where information about the debtor, the period of delay is not available without undue effort, a simplified approach is applied for the purposes of calculating the ECL: PD and LGD is assumed to be 100%.

EAD represents the expected exposure in the event of a default. The Bank will derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For loan commitments, the EAD comprises potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantee contracts, the EAD value is the amount payable at the time the financial guarantee is executed.

Incorporating of forward-looking information

The Bank incorporates forward-looking information into both the assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and the measurement of ECL.

The Bank uses data from external sources (external rating agencies, government agencies and international financial institutions) to obtain forward-looking information.

(in thousands of Belarusian Rubles)

GDP forecasts were designated as the key factor. External information taken into account may include economic data and forecasts published by government agencies, international organizations.

The specialists of the Credit Risk Department of the Bank determine the weighting coefficients attributable to multiple scenarios. The table below shows the values of the main predictive economic variables/assumptions used in each economic scenario to estimate the ECL.

ECL scenario	Assigned probability, %	2023	2024	2025
Optimistic	10	3.8	3.8	3.8
Basic	65	0.3	0.5	1
Pessimistic	25	(2.3)	2.5	1

The macroeconomic adjustment for default probabilities did not have a significant impact at the reporting dates.

Estimation of expected credit losses on modified assets

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

– its remaining lifetime PD at the reporting date based on the modified terms; with

– the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognized and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Bank renegotiates the terms and conditions of loans from customers experiencing financial difficulties ("renegotiation of loan agreements"). According to the Bank's policy on renegotiation of loan agreements, renegotiation is made with respect to each individual customer if a default event occurs or there is a high risk of default, and there is evidence that the debtor made all efforts to make payments under the original terms of the agreement, and there is also evidence that the debtor has made all necessary efforts to make payment under the original terms of the agreement, and is expected to be able to fulfill its obligations to the Bank on the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

For financial assets modified as part of the Bank's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Bank's ability to collect interest and principal and the Bank's previous experience of similar forbearance action. As part of this process, the Bank evaluates the borrower's payment performance against the modified contractual terms and considers various behavioral indicators.

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired. A customer needs to demonstrate consistently good payment behavior over a period of time before the exposure is no longer considered to be credit-impaired/ in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to 12-month ECL.

Restructured financial assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognized, and ECL are measured as follows:

– If the expected restructuring does not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

– If the expected restructuring results in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, the Bank assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI, and net investments in finance leases are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence of credit impairment of a financial asset is, among other things, the observable data presented under "Factors Indicating Evidence of Impairment (Default Criteria)" above.

Assets that are credit-impaired on initial recognition (POCI assets)

Impairment allowance is not created for POCI assets upon their initial recognition. Instead, the amount of lifetime expected credit losses is included into the effective interest rate calculation (the "EIR").

To calculate EIR for POCI assets, expected cash flows are used, taking into account the initial valuation of lifetime ECLs, i.e. the estimated value of the contractual cash flows for the asset is reduced by the value of the ECL for the entire term of its validity. The effective interest rate calculated in this way is referred to as the effective interest rate adjusted for credit risk.

Upon initial recognition of POCI loans the fair value of such loans is determined based on the cash flows that are expected to be received by the Bank as a result of selling collateral and/or receiving cash flows.

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

Interest on POCI assets is charged using the credit risk-based EIR determined upon the initial recognition of the asset.

At subsequent reporting dates, the Bank assesses only accumulated changes in lifetime expected credit losses to calculate the allowance for impairment of POCI assets. At the same time, the amount of expected credit losses for such assets is equal to the amount of changes in the amount of the lifetime expected credit losses since initial recognition of the respective financial asset.

The amount of positive changes in lifetime expected credit losses is recognized as impairment gain even if the amount of such changes exceeds the amount, if any, that was previously recognized in profit or loss as impairment loss.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

– financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;

– loan commitments and financial guarantee contracts: generally, as a provision;

– where a financial instrument includes both a drawn and an undrawn component, and the Bank cannot identify the ECLs on the loan commitment component separately from those on the drawn component (loan issued): the Bank presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

– debt instruments measured at FVOCI: no loss allowance is recognized in the consolidated statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognized in the fair value reserve.

Cash and cash equivalents. Cash and cash equivalents are assets which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents include amounts due from the NB RB (excluding mandatory reserves) and banks maturing within 90 days from the date of origination and not encumbered with any contractual commitments to use.

Mandatory reserve deposit with the National Bank of the Republic of Belarus. Mandatory cash reserves with the National Bank of the Republic of Belarus represent mandatory reserve deposits with the National Bank of the Republic of Belarus, which are not available to finance the Bank's day-to-day operations. Thus, they are not considered cash and cash equivalents used in the preparation of the statement of cash flows.

Collateral foreclosed for non-payment. Repossessed collateral represents non-financial assets received by the Bank in settlement of overdue loans. These assets are initially recognized at fair value when acquired and are subsequently revalued and accounted for depending on their nature and the Bank's intention in respect of selling of these assets in accordance with the accounting policies for these categories of assets.

Credit related commitments. The Bank issues financial guarantees and loan commitments. A financial guarantee is an agreement, according to which the issuing party must make payments to its counterparty to recompense the loss incurred by the latter as a result of the contractual borrower's failure to make a payment within the time frames set by the initial or revised terms of the debt instrument.

Financial guarantees and commitments to extend credit are initially recognized at their fair value, which is normally evidenced by the amount of fees received.

Subsequent to initial recognition, the financial guarantee contract is measured at the higher of: the amount of the allowance for losses; and the amount initially recognized less, where appropriate, the total amount of income recognized.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which in fact provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognized. Securities are not reclassified in another line item on the statement of financial position unless the acquirer has the right by contract or practice to sell or repledge the securities. The corresponding liability is presented within "Due to other banks" or "Other borrowed funds".

Securities purchased under agreements to resell ("reverse repo") which effectively provide a lender's return to the Bank are recognized as "Due from other banks" or "Loans and advances to customers", as appropriate. The difference between the sale and repurchase price is recognized as interest income and accrued over the life of the repurchase agreement using the effective interest rate method.

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

The book value of property and equipment is assessed for impairment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year.

An impairment loss recognized for an asset in prior periods is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

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

Gains or losses on disposals determined by comparing proceeds with carrying amount are recognized (within other operating income or expenses) in profit or loss for the year.

Depreciation. Construction in progress is not subject to depreciation. Depreciation of items of property and equipment is calculated using the straight-line method, i.e. by evenly reducing their cost to the net book value over the following estimated useful lives:

	Depreciation of property and equipment, years
Buildings and constructions	50 – 125
Computer equipment	3 – 14
Vehicles	5 – 9
Office furniture and other property and equipment	2 – 50

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Right-of-use assets and lease liabilities

Lease is recognized as a right-of-use asset and a respective liability on the date when the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and the finance costs. The finance costs are recognized in profit or loss over the lease term so as to ensure a constant periodic interest rate on the lease liability for each period. The right-of-use asset is depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

Right-of-use assets are disclosed in the line "Property and equipment" in the statement of financial position and lease liabilities are disclosed in "Other liabilities" in the statement of financial position. Finance costs are included in "Interest expense" in the statement of profit or loss, depreciation of right-of-use assets is included in "Depreciation and amortization" in the statement of profit or loss. The total cash outflow on lease liabilities is presented in "Cash flows from financing activities" in the statement of cash flows.

Assets and liabilities arising from leases are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including direct fixed payments), less any incentive lease payments received under cancellable and non-cancellable operating leases;

- variable lease payments that depend on price index or interest rate.

Lease payments are discounted using the lessee's incremental borrowing rate, which is the rate that the lessee would have to pay to raise funds necessary to produce the asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at historical cost comprising the following:

- the initial estimate of the lease liability;

- any lease payments as at the lease inception or before this date, less any lease incentives received;

- any initial direct costs incurred by the lessee;

- estimated costs of restoration and dismantling.

Information on the movement of right-of-use assets is disclosed in Note 12.

Information on changes in the financial lease liability is disclosed in Note 32.

Payments related to short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis in profit or loss. Short-term leases are leases with a term of twelve months or less.

On transition to IFRS 16, the Bank has not made any adjustments to leases where it acts as a lessor and categorizes leases into finance and operating leases.

Intangible assets. Intangible assets include software and licenses.

Intangible assets acquired separately are initially measured at cost. The cost of intangible assets acquired in a business combination is fair value as of the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with a finite useful life are amortized over their useful life, which is from 2 to 10 years, and are analyzed for impairment if any indicators of possible impairment exist. Amortization periods and methods for intangible assets with indefinite useful lives are reviewed at least at each reporting date.

Investment property. Investment property is property held to earn rental income and which is not used by the Bank or held for the sale in the normal course of business. Investment property is initially recognized at cost, including transaction costs.

Subsequently, investment properties are stated at fair value. Items of investment property are not depreciated.

Long-term assets held-for-sale. Non-current assets, which may include non-current and current assets, are recognized in the statement of financial position as "Non-current assets held for sale" if their carrying amount will be recovered principally through sale rather than through use. Assets are reclassified when all of the following conditions are met: (a) assets are available for immediate sale in their present condition; (b) the Bank's management approved and initiated an active program to find a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, currency and interest rate swaps, are measured at fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss as net gains/(losses) from securities transactions or net gains/(losses) from foreign currency transactions, depending on the nature of the financial instrument.

Taxation. The current income tax charge is calculated in accordance with the regulations of the Republic of Belarus and is based on the results reported in the Bank's separate statement of comprehensive income prepared in accordance with BAS, as adjusted for tax purposes.

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

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

Other operating taxes effective in the Republic of Belarus and applicable to the Bank's operations are included in other operating expenses in the statement of profit or loss.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. Provisions are recognized in the financial statements when the Bank has liabilities (legal or arising from the established business practice) incurred prior to the reporting date. It is possible, however, that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortized cost.

Authorized capital. Ordinary and preference shares are recognized as equity. Incremental costs directly attributable to the issuance of new shares are shown in equity as a decrease in revenue (net of tax). Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recognized in equity in the period when they have been declared. All dividends declared after the end of the reporting period, but before the financial statements are authorized for issue, are disclosed in the "Subsequent events" note. Allocation of profit and its other expenditures are made on the basis of the accounting statements prepared in accordance with the requirements of the legislation of the Republic of Belarus. In accordance with the requirements of the legislation of the Republic of Belarus, the profit is distributed on the basis of the current year net profit according to the financial statements prepared in accordance with the requirements of the legislation of the Republic of Belarus.

Recognition of income and expenses. The Bank recognizes income and expenses in the period to which they relate. Thus, income and expenses are recognized in the financial statements in the periods to which they relate according to the economic substance of the transaction.

The method of determining the reporting period to which income and expenses relate applies uniformly to income and expenses from the same transaction, as well as to income and expenses from related transactions. This principle ensures the matching of periods of income and expense recognition in cases where this is dictated by the economic substance of the transaction.

The Bank calculates interest revenue on debt financial assets measured at amortized cost or at FVOCI by applying the EIR to the gross carrying amount of financial assets other than POCI assets.

The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition less the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount of a financial asset' measured at amortized cost is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

The calculation of the effective interest rate includes transaction costs and fees and amounts paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recognized as interest income or expense.

For a financial asset that becomes credit-impaired, the Bank calculates interest income by applying the effective interest rate to the net amortized cost of that financial asset. If the default on the financial asset is eliminated and it is no longer credit-impaired, the Bank reverts to calculating interest income on a gross basis.

For POCI assets, the Bank calculates interest income by applying the effective interest rate, adjusted for credit risk, to the amortized cost of the financial asset.

Fee and commission income. The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate. Fees earned for the provision of services over a period of time are accrued over that period. Commission income received for conducting or participating in the negotiation of a transaction on behalf of a third party is recognized after the transaction is completed. Fee and commission income or a portion of fee and commission income associated with certain profitability ratios are recognized after the relevant criteria are met.

(in thousands of Belarusian Rubles)

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates.

The financial statements are presented in Belarusian rubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency at the rate of exchange effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss in 'Net income/(loss) on foreign currency transactions – Revaluation of foreign currency items' caption. Non-monetary items that are measured in terms of historical cost in foreign currency are translated using the exchange rate as at the date of transaction. Non-monetary items measured at fair value in foreign currency are translated using the exchange rate as at the date when the fair value was determined.

The exchange rates at the year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2022	**31 December 2021**
USD/BYN	2.7364	2.5481
EUR/BYN	2.9156	2.8826
RUB/BYN	0.037835	0.034322

Offsetting. Assets and liabilities, representing claims and liabilities from transactions with the same counterparty, are offset only if there is an intention to settle on a net basis and the possibility of offsetting is legally or contractually justified.

The various types of income and expenses are presented separately in the financial statements according to their nature. Offsetting income and expenses for similar transactions is allowed if this is dictated by the economic substance of such transactions. Negative and positive financial results from the following types of transactions are subject to offsetting in the financial statements:

- trading transactions and market revaluation of financial instruments;
- trading transactions with foreign currencies;
- trading transactions with precious metals;
- revaluation of assets and liabilities denominated in foreign currency.

Staff costs and related contributions. Wages, salaries, social security and pension fund contributions, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued as the Bank's employees render the related services. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond the state pension insurance scheme.

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS IN APPLYING ACCOUNTING POLICIES

The Bank makes estimates and assumptions that affect amounts recognized in statements and the carrying amount of assets and liabilities over the next financial year. Estimates and judgments are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

– classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding – Note 3. The Bank considers the receipt of contractual flows on the securities portfolio and their sale as integral to achieving the goal of the business model. The Bank holds liquid securities of government agencies and resident banks to generate contractual cash flows and sells them to replenish liquidity, as well as financial assets for reinvestment in financial assets with higher yield. In past periods, this strategy has resulted in frequent and significant sales. Such sales are expected to continue in the future;

– information on establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL is presented in Note 3;

– to determine Levels of fair value hierarchy the Bank uses judgment with regard to the definition of an active market. The description of measurement methods and key input data for financial instruments carried at fair value is presented in Note 28.

Assumptions and estimations uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2022 includes:

Allowance for expected credit losses Estimating impairment losses for all categories of financial assets requires judgment, particularly in determining the ECL / impairment losses and estimating a significant increase in credit risk, it is necessary to estimate the amount and timing of future cash flows and the value of collateral. The Bank makes judgments about the borrower's financial condition. These estimates are based on a number of assumptions and may differ from actual results, which will result in a change in the allowance in the future.

Estimating the allowance for expected credit losses for financial assets measured at amortized cost and fair value through other comprehensive income requires the use of complex models and significant assumptions regarding future economic conditions and the credit behavior of the counterparty.

The Bank applies judgment in assessing whether counterparty credit risk has increased significantly, in forecasting future economic conditions, and in selecting an appropriate model for estimating expected credit losses (Note 3, 27).

Fair value of securities. Securities are represented by debt and equity securities (Note 8).

To determine the fair value and disclose information on securities, the Bank uses quoted market prices. In the absence of an active market for certain financial instruments, the Bank measures their fair value using appropriate valuation techniques. Valuation techniques include the use of data on market transactions between independent, knowledgeable and willing parties, the use of the current fair value of another instrument similar in nature, discounted cash flow analysis and other applicable methods (Note 28). Changes in fair value of securities measured at fair value through other comprehensive income are recognized under "Change in fair value of financial assets" in equity.

Fair value of investment property. Key assumptions affecting the fair value of investment property are used in estimating the fair value of investment property (Note 14).

5. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

A number of new standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted. Except for the amendment to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, the Bank did not early adopt any new or amended standards in preparing these financial statements.

The following standards and amendments to the standards are not expected to have a significant impact on the Bank's financial statements:

– IFRS 17 *Insurance Contracts* and Amendments to IFRS 17 *Insurance Contracts*;

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

– Definition of Accounting Estimates (Amendments to IAS 8);

– Lease Liability in a Sale and Leaseback (Amendments to IFRS 16);

– Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

(in thousands of Belarusian Rubles)

6. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hand	51,386	53,897
Cash in the correspondent accounts in the National Bank of the Republic of Belarus	148,098	45,566
Current accounts with other credit institutions	30,105	36,140
Loans issued by the bank for up to 90 days	-	2,216
Less allowance for impairment	(23)	(10)
Total cash and cash equivalents	**229,566**	**137,809**

As at 31 December 2022, the Bank placed BYN 17,522 thousand (31 December 2021: BYN 20,001 thousand) in current accounts with recognized international banks, which are the main counterparties of the Bank in international settlements, in particular, banks of OECD countries account for about 84.45%, CIS and other countries account for about 15.55%.

Movements in the cash and cash equivalents impairment allowance are as follows:

	Total
Credit loss allowance as at 31 December 2020	7
Creation of allowances	3
Credit loss allowance as at 31 December 2021	10
Creation of allowances	13
Credit loss allowance as at 31 December 2022	**23**

All balances of cash and cash equivalents are allocated to Stage 1.

7. AMOUNTS DUE FROM FINANCIAL INSTITUTIONS

As at 31 December 2022 and 31 December 2021, amounts due from credit institutions included the following items:

	31 December 2022	31 December 2021
Loans secured by state securities	21,368	-
Guarantee deposits	3,249	1,484
Deposits over 90 days	347	-
Less allowance for impairment	(70)	-
Total amounts due from financial institutions	**24,894**	**1,484**

Guarantee deposits are represented by funds deposited as collateral. The Bank's ability to withdraw these deposits is limited.

(in thousands of Belarusian Rubles)

The following is an analysis of changes in gross carrying amounts and related expected credit losses at credit institutions:

	12-month ECL (Stage 1)
Amounts due from financial institutions	
Gross carrying amount as at 31 December 2020	**1,276**
Newly created financial assets	10,500
Derecognition	(10,274)
Other changes	(18)
Gross carrying amount as at 31 December 2021	**1,484**
Newly created financial assets	1,662
Derecognition	(2)
Other changes	105
Gross carrying amount as at 31 December 2022	**3,249**

	12-month ECL (Stage 1)
Due from banks	
Allowance for ECL as at 31 December 2021	**-**
Decrease in an allowance for funds due from financial institutions that have been repaid	-
Creation of allowances	70
Allowance for ECL as at 31 December 2022	**70**

8. SECURITIES

Corporate bonds of Belarusian banks as at 31 December 2022 and 31 December 2021 included securities measured at fair value through other comprehensive income.

	31 December 2022	31 December 2021
Corporate bonds of banks	8,467	9,585
Eurobonds of the Ministry of Finance of the Republic of Belarus 2023	5,555	7,451
Government bonds	45,664	78,066
including those transferred under repo transactions	*4,764*	*19,175*
Securities measured at fair value through other comprehensive income	**59,686**	**95,102**

(in thousands of Belarusian Rubles)

Securities as at 31 December 2022 included securities measured at amortized cost.

	31 December 2022	**31 December 2021**
Government bonds	46,551	-
Eurobonds of the Ministry of Finance of the Republic of Belarus maturing in 2023	5,196	-
Securities measured at amortized cost	**52,466**	**-**
Allowance for expected credit losses	(719)	-
Total securities measured at amortized cost net of ECL allowance	**51,747**	**-**

Movements in the gross carrying amount and related expected credit losses of securities measured at fair value through other comprehensive income are as follows:

	12-month ECL (Stage 1)
Securities measured at fair value through other comprehensive income	
Gross carrying amount as at 31 December 2020	**87,459**
Newly acquired financial assets	251,908
Derecognition	(240,150)
Other changes	(4,115)
Gross carrying amount as at 31 December 2021	**95,102**
Newly acquired financial assets	173,314
Derecognition	(211,738)
Other changes	3,008
Gross carrying amount as at 31 December 2022	**59,686**

	12-month ECL (Stage 1)
Securities measured at fair value through other comprehensive income	
Allowance for ECL as at 31 December 2020	**682**
Newly acquired	1,876
Repayments	(1,874)
Creation of allowances	24
Allowance for ECL as at 31 December 2021	**708**
Newly acquired	2,801
Repayments	(3,440)
Creation of allowances	937
Allowance for ECL as at 31 December 2022	**1,006**

Movements in the gross carrying amount and related expected credit losses of securities measured at amortized cost are as follows:

(in thousands of Belarusian Rubles)

	12-month ECL (Stage 1)
Securities measured at amortized cost	
Gross carrying amount as at 31 December 2021	**-**
Newly acquired financial assets	49,787
Other changes	2,679
Gross carrying amount as at 31 December 2022	**52,466**

	12-month ECL (Stage 1)
Securities measured at amortized cost	
Allowance for ECL as at 31 December 2021	**-**
Newly acquired	719
Allowance for ECL as at 31 December 2022	**719**

9. DERIVATIVE FINANCIAL INSTRUMENTS

The Bank enters into transactions using derivative financial instruments (forward transactions and swap transactions). The table below shows the fair values of derivative financial instruments recognized as assets or liabilities in the financial statements.

	2022		2021	
	Asset	**Liability**	**Asset**	**Liability**
Currency contracts				
Forwards and swaps - foreign contracts	188	389	346	6
Forwards and swaps - internal contracts	235	-	521	-
Total derivative assets/liabilities	**423**	**389**	**867**	**6**

In the table above, internal contracts refer to contracts concluded with residents of the Republic of Belarus, while foreign contracts refer to contracts concluded with non-residents of the Republic of Belarus.

As at 31 December 2022 and 31 December 2021, the Bank had positions in swaps, which are contractual agreements between two parties to exchange amounts equal to changes in interest rates, exchange rates based on notional amounts.

(in thousands of Belarusian Rubles)

10. LOANS TO CUSTOMERS

As at 31 December 2022 and 31 December 2021, loans to customers included the following items:

	31 December 2022	31 December 2021
Corporate lending	244,999	221,128
Consumer lending	171,437	175,375
Total loans to customers	**416,436**	**396,503**
Allowance for expected credit losses	(24,624)	(22,590)
Total loans to customers less allowance for expected credit losses	**391,812**	**373,913**

The following is an analysis of changes in gross carrying amounts and related expected credit losses on loans to corporate customers:

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Loans to corporate customers				
Gross carrying amount as at 31 December 2020	**164,429**	**53,944**	**20,661**	**239,034**
New financial assets originated and purchased	265,291	-	-	265,291
Principal debt that has been repaid	(222,824)	(40,657)	(2,671)	(266,152)
Transfer to 12-month expected credit losses (Stage 1)	47,263	(47,207)	(56)	-
Transfer to lifetime expected credit losses (Stage 2)	(103,553)	103,620	(67)	-
Transfer to lifetime expected credit losses (Stage 3)	(457)	(7,940)	8,397	-
Write-offs	-	-	(6,015)	(6,015)
Amortization of discount recognized in interest income	-	-	450	450
Exchange rate fluctuations	(8,927)	(1,325)	(759)	(11,011)
Other changes	(48)	131	(552)	(469)
Gross carrying amount as at 31 December 2021	**141,174**	**60,566**	**19,388**	**221,128**
New financial assets originated and purchased	499,557		-	499,557
Principal debt that has been repaid	(306,295)	(167,806)	(1,373)	(475,474)
Transfer to 12-month expected credit losses (Stage 1)	59,935	(59,935)	-	-
Transfer to lifetime expected credit losses (Stage 2)	(208,428)	208,644	(216)	-
Transfer to lifetime expected credit losses (Stage 3)	(237)	(3,532)	3,769	-
Write-offs	-	-	(10,700)	(10,700)
Amortization of discount recognized in interest income	-	-	86	86
Exchange rate fluctuations	7,541	2,073	414	10,028
Other changes	635	(74)	(187)	374

(in thousands of Belarusian Rubles)

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Gross carrying amount as at 31 December 2022	**193,882**	**39,936**	**11,181**	**244,999**

Loans to corporate customers	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Allowance for ECL as at 31 December 2020	**447**	**2,309**	**9,903**	**12,659**
Transfer to 12-month expected credit losses (Stage 1)	580	(574)	(6)	-
Transfer to lifetime expected credit losses (Stage 2)	(545)	559	(14)	-
Transfer to lifetime expected credit losses (Stage 3)	(9)	(1,398)	1,407	-
Creation of an allowance for new loans originated or purchased	1,880	-	-	1,880
Decrease in the allowance for loans that have been repaid	(1,434)	(542)	(711)	(2,687)
Net change in loss allowance	(448)	992	7,183	7,727
Write-offs	-	-	(6,015)	(6,015)
Amortization of discount recognized in interest income	-	-	450	450
Change in exchange rate	(12)	(69)	(439)	(520)
Allowance for ECL as at 31 December 2021	**459**	**1,277**	**11,758**	**13,494**
Transfer to 12-month expected credit losses (Stage 1)	939	(939)	-	-
Transfer to lifetime expected credit losses (Stage 2)	(1,115)	1,147	(32)	-
Transfer to lifetime expected credit losses (Stage 3)	(21)	(163)	184	-
Creation of an allowance for new loans originated or purchased	2,600	-	-	2,600
Decrease in the allowance for loans that have been repaid	(975)	(1,539)	(487)	(3,001)
Net change in loss allowance	(69)	652	4,936	5,519
Write-offs	-	-	(10,700)	(10,700)
Amortization of discount recognized in interest income	-	-	86	86
Change in exchange rate	(16)	39	500	523
Allowance for ECL as at 31 December 2022	**1,802**	**474**	**6,245**	**8,521**

(in thousands of Belarusian Rubles)

The following is an analysis of changes in gross carrying amount and related expected credit losses on loans to retail customers:

Loans to retail customers	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Gross carrying amount as at 31 December 2020	**150,348**	**1,998**	**6,487**	**158,833**
New financial assets originated and purchased	117,267	-	-	117,267
Principal debt that has been repaid	(97,124)	(820)	(1,813)	(99,757)
Transfer to 12-month expected credit losses (Stage 1)	480	(416)	(64)	-
Transfer to lifetime expected credit losses (Stage 2)	(9,621)	9,634	(13)	
Transfer to lifetime expected credit losses (Stage 3)	-	(6,583)	6,583	-
Amortization of discount recognized in interest income	-	-	163	163
Write-offs	-	-	(1,071)	(1,071)
Other changes	95		(155)	(60)
Gross carrying amount as at 31 December 2021	**161,445**	**3,813**	**10,117**	**175,375**
New financial assets originated and purchased	92,505	-	-	92,505
Principal debt that has been repaid	(92,351)	(1,138)	(2,764)	(96,253)
Transfer to 12-month expected credit losses (Stage 1)	1,017	(794)	(223)	-
Transfer to lifetime expected credit losses (Stage 2)	(14,493)	14,498	(6)	(1)
Transfer to lifetime expected credit losses (Stage 3)	-	(12,196)	12,196	-
Amortization of discount recognized in interest income	-	-	295	295
Write-offs	-	-	(185)	(185)
Other changes	(648)	124	225	(299)
Gross carrying amount as at 31 December 2022	**147,473**	**4,307**	**19,655**	**171,437**

Loans to retail customers	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Allowance for ECL as at 31 December 2020	**2,204**	**691**	**3,563**	**6,458**
Creation of an allowance for new loans originated or purchased	1,645	-	-	1,645
Decrease in the allowance for loans that have been repaid	(1,145)	(255)	(966)	(2,366)
Transfer to 12-month expected credit losses (Stage 1)	182	(147)	(35)	-
Transfer to lifetime expected credit losses (Stage 2)	(215)	222	(7)	
Transfer to lifetime expected credit losses (Stage 3)	-	(398)	398	-
Net change in loss allowance	(193)	1,227	3,235	4,269
Amortization of discount recognized in interest income	-	-	163	163
Write-offs	-	-	(1,071)	(1,071)
Change in exchange rate	(2)	-	-	(2)
Allowance for ECL as at 31 December 2021	**2,476**	**1,340**	**5,280**	**9,096**

(in thousands of Belarusian Rubles)

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Creation of an allowance for new loans originated or purchased	1,385	-	-	1,385
Decrease in the allowance for loans that have been repaid	(1,142)	(369)	(1,367)	(2,878)
Transfer to 12-month expected credit losses (Stage 1)	407	(279)	(128)	-
Transfer to lifetime expected credit losses (Stage 2)	(348)	351	(3)	-
Transfer to lifetime expected credit losses (Stage 3)	-	(897)	897	-
Net change in loss allowance	(80)	1,430	7,040	8,390
Amortization of discount recognized in interest income	-	-	295	295
Write-offs	-	-	(185)	(185)
Change in exchange rate	-	-	-	-
Allowance for ECL as at 31 December 2022	**2,698**	**1,576**	**11,829**	**16,103**

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

– for corporate lending – pledge of real estate, equipment, transport and other property and equipment, inventories and receivables;

– for consumer lending – a guarantee, pledge of residential real estate and vehicles.

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

For impaired loans, the Bank typically revises the estimated value of collateral as the current value of collateral can be used in an impairment assessment.

As at 31 December 2022 and 31 December 2021, management estimates that the allowances for losses on loans to corporate customers with collateral for which no impairment indicators have been identified would be higher by BYN 5,573 thousand and BYN 6,669 thousand, respectively, if no collateral was recognized.

(in thousands of Belarusian Rubles)

The tables below provide an analysis of the current fair value of collateral held and credit enhancements for credit-impaired assets (Stage 3 assets). For each loan, the value of the collateral is limited to a maximum nominal amount of the loan disbursed.

at 31 December 2022	**Maximum credit risk exposure**	**Cash/ deposits**	**Real estate**	**Vehicles**	**Goods in turnover**	**Other**	**TOTAL collateral**	**Net credit risk exposure**	**Allowance for ECL**
Corporate lending	11,181	5	2,201	46	254	1,176	3,682	7,499	6,245
Consumer lending	19,655	-	30				30	19,625	11,829
	30,836	**5**	**2,231**	**46**	**254**	**1,176**	**3,712**	**27,124**	**18,074**

at 31 December 2021	**Maximum credit risk exposure**	**Cash/ deposits**	**Real estate**	**Equipment**	**Vehicles**	**Goods in turnover**	**Insu-rance**	**TOTAL collateral**	**Net exposure to credit risk**	**Allowance for ECL**
Corporate lending	**19,388**	6	7,698	125	172	824	714	**9,539**	**9,849**	**11,758**
Consumer lending	**10,117**	-	45	-	-	-	-	**45**	**10,072**	**5,280**
	29,505	6	7,743	125	172	824	714	**9,584**	**19,921**	**17,038**

(in thousands of Belarusian Rubles)

Concentration of loans to customers

As at 31 December 2022, the concentration of loans issued by the Bank to its ten largest borrowers amounted to BYN 154,824 thousand or 37% of the total loan portfolio (31 December 2021: BYN 124,227 thousand or 31% of the total loan portfolio). Loans primarily are issued within the Republic of Belarus in the following industry sectors:

	31 December 2022	31 December 2021
Individuals	171,437	175,375
Trade and public catering	87,055	59,542
Leasing companies	73,103	64,186
Manufacturing	48,497	41,947
Construction	10,813	6,163
Transport	4,160	4,696
Individual entrepreneurs	3,315	3,070
Real estate	280	6,662
Agriculture	139	191
Petrochemicals	-	11,614
Other	17,637	23,057
Total loans to customers	**416,436**	**396,503**
Allowance for expected credit losses	(24,624)	(22,590)
Total net loans to customers	**391,812**	**373,913**

11. NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are as follows:

	31 December 2022	31 December 2021
Property transferred to the Bank as repayment of debt	76	741
Total non-current assets held for sale	**76**	**741**

(in thousands of Belarusian Rubles)

12. PROPERTY AND EQUIPMENT

Property and equipment are as follows:

	Buildings and constructions	Computer equipment	Vehicles	Office furniture and other property and equipment	Construction in progress	Right-of-use leased items	Total
Cost							
At 1 January 2022	**9,201**	**9,762**	**629**	**4,026**	**1,013**	**5,926**	**30,557**
Additions	72	519	123	632	-	3,990	5,336
Disposal	(13)	(78)	-	(237)	(121)	(6,008)	(6,457)
At 31 December 2022	**9,260**	**10,203**	**752**	**4,421**	**892**	**3,908**	**29,436**
Accumulated depreciation							
At 1 January 2022	**2,297**	**3,957**	**355**	**2,136**	**-**	**2,001**	**10,746**
Depreciation charge	202	1,648	81	473	-	1,461	3,865
Disposal	(10)	(62)	-	(169)	-	(2,605)	(2,846)
At 31 December 2022	**2,489**	**5,543**	**436**	**2,440**	**-**	**857**	**11,765**
Residual value							
At 1 January 2022	**6,904**	**5,805**	**274**	**1,890**	**1,013**	**3,925**	**19,811**
At 31 December 2022	**6,771**	**4,660**	**316**	**1,981**	**892**	**3,051**	**17,671**

(in thousands of Belarusian Rubles)

	Buildings and constructions	Computer equipment	Vehicles	Office furniture and other property and equipment	Construction in progress	Right-of-use leased items	Total
Cost							
At 1 January 2021	**9,186**	**7,209**	**629**	**3,506**	**765**	**4,513**	**25,808**
Additions	22	2,576	-	619	248	2,622	6,087
Disposal	(7)	(23)	-	(99)	-	(1,209)	(1,338)
At 31 December 2021	**9,201**	**9,762**	**629**	**4,026**	**1,013**	**5,926**	**30,557**
Accumulated depreciation							
At 1 January 2021	**2,100**	**2,460**	**285**	**1,783**	**-**	**1,885**	**8,513**
Depreciation charge	202	1,515	70	435	-	1,269	3,491
Disposal	(5)	(18)	-	(82)	-	(1,153)	(1,258)
At 31 December 2021	**2,297**	**3,957**	**355**	**2,136**	**-**	**2,001**	**10,746**
Residual value							
At 1 January 2021	**7,086**	**4,749**	**344**	**1,723**	**765**	**2,628**	**17,295**
At 31 December 2021	**6,904**	**5,805**	**274**	**1,890**	**1,013**	**3,925**	**19,811**

As at 31 December 2022 and 31 December 2021, the historical cost of fully depreciated property and equipment amounted to BYN 3,374 thousand and BYN 3,077 thousand, respectively.

The Bank acts as a lessee mainly in administrative premises. The leases, as a rule, have an extension option. These objects are included in property and equipment as right-of-use leased items.

(in thousands of Belarusian Rubles)

13. INTANGIBLE ASSETS

The movements in intangible asset items are presented as follows:

	2022	2021
Cost		
At 1 January	**12,795**	**8,038**
Additions	2,649	4,780
Disposal	(11)	(23)
At 31 December	**15,433**	**12,795**
Accumulated amortization		
At 1 January	**3,523**	**2,163**
Amortization	1,994	1,373
Disposal	(1)	(13)
At 31 December	**5,516**	**3,523**
Residual value		
At 1 January	**9,272**	**5,875**
At 31 December	**9,917**	**9,272**

Intangible assets of the Bank are represented by software and licenses.

14. INVESTMENT PROPERTY

The movements in the value of the investment property are shown below:

	2022	2021
Cost		
At 1 January	14,535	14,535
Revaluation recognized in the statement of profit or loss	(1,312)	-
At 31 December	**13,223**	**14,535**

Investment property consists of commercial real estate with a total area of 8,561 sq m (leasable area varied over the 2009-2022 period in the range of 5,200-5,315 sq m), which is intended primarily for lease to third parties.

The total area of leased premises as at 31 December 2022 is 3,250.9 sq m, as at 31 December 2021: 4,609 sq m.

As at 31 December 2022, the Bank entered into 77 operating lease agreements, under which the Bank acts as the Lessor, including those the term of which is established, as a rule, for 1 year with the right of further extension for an unlimited number of times, except for one agreement with the term of the agreement until 2024. No contingent rents are charged.

Changes in fair value are unrealized and are recognized as other expenses in profit or loss.

The total amount of forthcoming lease payments in 2023 is BYN 756 thousand, in the period from one to five years - BYN 77 thousand. In calculating this indicator, the assumption was applied that all contracts that do not have a contract end date will continue in effect through 2023.

(in thousands of Belarusian Rubles)

	2022	2021
Lease income received from investment property	884	1,481

Operating expenses associated with the maintenance and upkeep of investment property are borne by the lessee. The Bank has neither restrictions on the sale of its investment property nor contractual obligations to purchase, construct or develop investment properties, or to repair, maintain and enhance them.

The fair value of investment property as at 31 December 2022 and 31 December 2021 was determined by applying an internal valuation methodology; as at 31 December 2020 it was determined by external independent real estate appraisers with appropriate recognized professional qualifications and recent experience in appraising this category of property in this location.

The fair value measurement of investment property was based on the income approach and was categorized as Level 3 in the fair value hierarchy based on the inputs to the valuation techniques applied.

Valuation techniques and significant unobservable inputs

Commercial real estate owned by the Bank is leased primarily as office space. Due to the economic turmoil caused by the coronavirus pandemic, the geopolitical escalation in the region in February 2022 and the wide-ranging sanctions imposed on Belarusian legal entities and individuals, the uncertain economic outlook for this period could have a material negative impact on lessees' operations, business viability and ability to meet lease obligations. Due to increased uncertainty, assumptions may be substantially revised in 2023. A sensitivity analysis for these assumptions is provided later in this Note.

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: This model considers the present value of the net cash flows generated by the property, taking into account expected growth in leases, occupancy rates, and other costs not recoverable by lessees. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.	− Expected market rental growth: 3% from 2024. − Occupancy rate: 82-100%. − Risk-adjusted discount rates: 13.5%.	The estimated fair value would increase (decrease) if: − Expected market rental growth was higher (lower); − The occupancy rate was higher (lower); − The risk-adjusted discount rate was lower (higher).

(in thousands of Belarusian Rubles)

Sensitivity analysis

Significant professional judgment is required in evaluating inputs to determine the fair value of investment property. Reasonably possible changes at the reporting date to one of the relevant assumptions, holding other assumptions constant, would have affected the fair value of commercial real estate by the amounts shown below:

	31 December 2022	31 December 2021
BYN thousand	Change	Change
Increase in discount rate by 1%	(570)	(553)
Occupancy rate in the terminal period (5% decrease)	(210)	(227)
Decrease in the market rental rate by 10%	(306)	(448)
Increase in the market rental rate by 10%	306	448

15. TAXATION

The income tax rate for banks, other than income on government securities, was 25% in 2022. The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on the statutory rate with the actual expense is as follows:

	2022	2021
Income before tax	14,848	4,302
Statutory tax rate	25%	25%
Theoretical income tax expense at the statutory rate	**3,712**	**1,076**
Adjustments for income or expenses that do not affect the taxable base:		
- securities transactions	(1,668)	(1,452)
- other non-deductible expenses	190	689
Income tax expense	**2,234**	**313**
Current income tax expense	196	-
Effect on deferred income tax recognized in the statement of profit and loss	2,052	313
Income tax expense	**2,248**	**313**

	2022	2021
Deferred tax asset		
At 1 January	641	960
Recognized in the statement of profit or loss	(2,052)	(313)
Recognized in other comprehensive income	567	(6)
At 31 December	**(844)**	**641**

(in thousands of Belarusian Rubles)

Deferred tax assets and liabilities as at 31 December 2022 and 31 December 2021 as well as their movements for 2022 and 2021 are presented below:

Impact of temporary differences that decrease/(increase) the taxable base:	**31 December 2022**	**Recognized (recovered) In profit or loss**	**Recognized (recovered) In other comprehensive income**	**31 December 2021**	**Recognized (recovered) In profit or loss**	**Recognized (recovered) In other comprehensive income**	**31 December 2020**
Cash and cash equivalents	-	2	-	(2)	(3)	-	1
Derivative financial assets	(47)	45	-	(92)	(76)	-	(16)
Loans to customers	(6,390)	(3,076)	-	(3,314)	432	-	(3,746)
Securities	876	337	567	(28)	6	(6)	(28)
Property and equipment and intangible assets	2,029	716	-	1,313	(430)	-	1,743
Non-current assets held-for-sale	26	-	-	26	(282)	-	308
Investment property	887	328	-	559	-	-	559
Other assets	1,131	(8)	-	1,139	(187)	-	1,326
Derivative financial liabilities	97	95	-	2	(13)	-	15
Amounts due from financial institutions	(155)	(19)	-	(136)	(104)	-	(32)
Amounts due to financial institutions	(285)	(285)	-	-	-	-	-
Customer accounts	(328)	(321)	-	(7)	(4)	-	(3)
Other liabilities	1,315	134	-	1,181	348	-	833
Net tax asset/(liability)	**(844)**	**(2,052)**	**567**	**641**	**(313)**	**(6)**	**960**

(in thousands of Belarusian Rubles)

16. OTHER ASSETS AND LIABILITIES

Other assets and liabilities comprise the following:

	31 December 2022	31 December 2021
Accounts receivable	2,095	800
Accrued income	956	1,761
Equity holdings in commercial organizations	11	10
Allowance for impairment	(1,428)	(1,756)
Total other financial assets	**1,634**	**815**
Advances and prepayments	1,521	1,158
Taxes recoverable other than income tax	1,526	1,834
Materials	115	282
Other	867	714
Total other non-financial assets	**4,029**	**3,988**
Total other assets	**5,663**	**4,803**
Lease liabilities	2,998	4,127
Settlements with other creditors	942	826
Total financial liabilities	**3,940**	**4,953**
Other non-financial liabilities:		
Settlements with personnel	2,985	1,562
Taxes payable other than income tax	853	355
Other	1,702	1,269
Total other non-financial liabilities	**5,540**	**3,186**
Total other liabilities	**9,480**	**8,139**

Movements in allowance for expected credit losses for 2022 and 2021 is presented below:

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Other financial assets				
Allowance for ECL as at 31 December 2020	**-**	**20**	**1,820**	**1,840**
Creation of allowances	-	6	694	700
Write-offs	-	-	(784)	(784)
Allowance for ECL as at 31 December 2021	**-**	**26**	**1,730**	**1,756**
Creation of allowances	-	-	680	680
Write-offs	-	-	(1,008)	(1,008)
Allowance for ECL as at 31 December 2022	**-**	**26**	**1,402**	**1,428**

Other assets include shares in banks and commercial organizations. The Bank decided to recognize changes in the fair value of these equity interests in other comprehensive income.

(in thousands of Belarusian Rubles)

The following table summarizes the fair value of the equity investments and the amount of dividends received during the year:

	Fair value as at 31 December 2022	Dividends received in 2022
Equity interest in OJSC "Banking Technology Center" (share of 0.69%)	11	4
Total	**11**	**4**

	Fair value as at 31 December 2021	Dividends received in 2021
Equity interest in OJSC "Bank Dabrabyt"	-	12
Equity interest in OJSC "Banking Technology Center" (share of 0.69%)	10	2
Total	**10**	**14**

17. AMOUNTS DUE TO FINANCIAL INSTITUTIONS

As at 31 December 2022 and 31 December 2021, amounts due to credit institutions included the following items:

	31 December 2022	31 December 2021
Loans and deposits	22,020	65,643
Current accounts	22,370	332
Total amounts due to financial institutions	**44,390**	**65,975**

As at 31 December 2022, amounts due to financial institutions included loans and deposits received from one bank, liabilities to which exceeded 10% of the Bank's equity (as at 31 December 2021 amounts due to financial institutions included loans received from three banks). As at 31 December 2022, these banks' share of total borrowing was 31.4%; as at 31 December 2021 it was 80.7%.

18. CUSTOMER ACCOUNTS

As at 31 December 2022 and 31 December 2021, customer accounts included the following items:

	31 December 2022	31 December 2021
Term deposits	388,263	345,716
Current accounts	169,517	59,196
Total customer accounts	**557,780**	**404,912**
Held as collateral for letters of credit	-	10
Held as collateral for guarantees	-	250

(in thousands of Belarusian Rubles)

As at 31 December 2022, funds of the Bank's largest corporate clients amounted to BYN 165,539 thousand, or 30% (31 December 2021: BYN 159,411 thousand, or 39%).

Term deposits include deposits of individuals in the amount of BYN 182,567 thousand (31 December 2021: BYN 158,287 thousand). In case a term deposit is repaid upon demand of a depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

As at 31 December 2022, the Bank received loans from clients in the amount of BYN 90,425 thousand equivalent. The nature of the funds raised are on demand. Structure of borrowings from non-resident clients:

- the balance of outstanding borrowings under agreements in US dollars was USD 3,682 thousand at a rate of 0.01% for the period no later than December 2023;

- the balance of outstanding borrowings under agreements in Russian rubles was RUB 206,500 at a rate of 0.01% maturing no later than January 2024;

- the balance of outstanding borrowings under agreements in yuan is CNY 187,836 thousand at a rate of 0.01% and 0.02% maturing no later than January 2024.

As at 31 December 2021, borrowings to the Bank amounted to BYN 111,146 thousand, including:

- loans denominated in EUR: EUR 429 thousand at a rate of 0.01%;

- loans denominated in RUB: RUB 3,202,308 thousand at a rate of 0.01%.

Amounts due to customers include the following categories of customer accounts by form of ownership:

	31 December 2022	31 December 2021
Individuals	224,171	169,253
State ownership	40,901	15,532
Private ownership	292,708	220,127
Total customer accounts	**557,780**	**404,912**

Amounts due to customers include the following categories of customers by type of activity:

	31 December 2022	31 December 2021
Trade and commerce	283,809	200,537
Individuals	224,171	169,253
Insurance	12,173	8,749
Financial activities	11,679	3,346
Housing	5,900	4,511
Other activities of material production	3,896	4,695
Healthcare	3,773	2,314
Transport and communications	3,320	2,640
Real estate	2,131	986

(in thousands of Belarusian Rubles)

	31 December 2022	31 December 2021
Non-governmental organizations	2,065	795
Construction	1,210	2,233
Agriculture	301	361
Culture and art	171	221
Information and computer services	36	102
Science and science services	-	2,548
Other	3,145	1,621
Total customer accounts	**557,780**	**404,912**

19. DEBT SECURITIES ISSUED

Debt securities issued by the Bank as at 31 December 2022 and 31 December 2021 are represented by the following types of bond issues:

	Currency	Nominal interest rate	Maturity date	31 December 2022
Bonds of the 16th issue	BYN	RR+0.7	31.12.2024	64,303
Bonds of the 17th issue	BYN	RR+5.75	14.12.2025	5,039
Total debt securities in issue				**69,342**

	Currency	Nominal interest rate	Maturity date	31 December 2021
Bonds of the 16th issue	BYN	RR+0.7	31.12.2024	65,181
Bonds of the 17th issue	BYN	RR+5.75	14.12.2025	5,033
Total debt securities in issue				**70,214**

The Bank timely and fully fulfilled its obligations under the issued securities during 2022 and 2021.

20. SHARE CAPITAL

Movements in issued, authorized and fully paid share capital are as follows:

	Total number of shares		**Nominal amount, BYN thousand**		**Adj-nt for inflation**	**Total, BYN th.**
	Preference	Ordinary	Preference	Ordinary		
31 December 2021	18,838,294	220,310,818,106	6	66,093	87,655	153,754
31 December 2022	18,838,294	220,310,818,106	6	66,093	87,655	153,754

The nominal value of OJSC "Paritetbank" shares remained unchanged and amounts to BYN 0.0003.

The authorized capital of the Bank was formed by contributions of shareholders in Belarusian rubles. Shareholders are entitled to dividends in Belarusian rubles.

In 2022, the Bank paid dividends totaling BYN 1 thousand (2021: BYN 1 thousand).

According to Belarusian legislation, only undistributed and unreserved earnings recorded in the financial statements of the Bank prepared in accordance with Belarusian legislation may be distributed as dividends among shareholders of the Bank.

In 2022 undistributed and unreserved earnings recorded in the financial statements of the Bank prepared in accordance with the legislation of the Republic of Belarus amounted to BYN 6,407 thousand (2021: BYN 2,046 thousand).

21. COMMITMENTS AND CONTINGENCIES

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

Taxation contingencies. The taxation system in Belarus is characterized by complexity and frequent changes in legislation, variety of official pronouncements and authorities' decisions, which, along with the lack of extensive court practice on tax issues, can in some situations lead to their ambiguous interpretations.

Taxes are subject to review and investigation by a number of regulatory authorities, which are entitled to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during five subsequent calendar years, and in certain cases this period is unlimited.

Capital commitments. As at 31 December 2022 and 31 December 2021, the Bank had no material contractual capital commitments in respect of property and equipment, software and other intangible assets.

Credit related commitments. The main purpose of these instruments is to provide financial resources to clients as needed. Guarantees and guarantee letters of credit, which represent irrevocable commitments that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written obligations of the Bank to make payments on behalf of clients within a specified amount when certain conditions are met, are secured by appropriate supplies of goods or cash and, accordingly, have a lower risk level than direct lending.

Commitments to extend credit represent unused portions of amounts authorized by the management to provide funds in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the expected amount of loss is less than the total unused commitments since all of the Bank's commitments to extend credit may be withdrawn without a material adverse change in the financial condition of the borrower.

As at 31 December 2022 and 31 December 2021, the Bank's credit related commitments included the following items:

(in thousands of Belarusian Rubles)

	31 December 2022	31 December 2021
Credit related commitments		
Loan commitments	108,994	78,835
Guarantees	11,704	25,084
Letters of credit	14,876	10
Less allowance	(756)	(416)
Total credit related commitments (before collateral)	**134,818**	**103,513**
Less deposits held as security	-	(260)
Total credit related commitments	**134,818**	**103,253**

The following is the movement in the impairment allowance on contingent liabilities:

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Credit related commitments				
Credit loss allowance at 31 December 2021	**160**	**216**	**40**	**416**
Transfer to 12-month expected credit losses (Stage 1)	3	(3)	-	-
Transfer to lifetime expected credit losses (Stage 2)	9	(9)	-	-
Net change in loss allowance	359	23	(40)	342
Exchange differences	(2)	-	-	(2)
Credit loss allowance at 31 December 2022	**529**	**227**	**-**	**756**

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total
Credit related commitments				
Credit loss allowance at 31 December 2020	**102**	**6**	**-**	**108**
Transfer to lifetime expected credit losses (Stage 2)	(131)	131	-	-
Net change in loss allowance	191	79	40	310
Exchange differences	(2)	-	-	(2)
Credit loss allowance at 31 December 2021	**160**	**216**	**40**	**416**

(in thousands of Belarusian Rubles)

22. NET INTEREST INCOME

Net interest income comprises:

	2022	2021
Financial assets measured at amortized cost		
Loans to customers	82,975	59,761
Amounts due from credit institutions	3,806	741
Securities	2,209	-
Financial assets at FVOCI		
Securities	3,153	5,054
Interest income calculated using the effective interest rate method	**92,143**	**65,556**
Total interest income	**92,143**	**65,556**
Customer accounts	(31,299)	(22,971)
Debt securities issued	(9,138)	(6,833)
Amounts due to credit institutions	(3,018)	(3,464)
Due from the National Bank of the Republic of Belarus	(535)	(1,606)
Lease liabilities	(310)	(148)
Interest expense	**(44,300)**	**(35,022)**
Net interest income	**47,843**	**30,534**

23. NET FEE AND COMMISSION INCOME

Net fee and commission income comprises:

	2022	2021
Opening and servicing accounts	8,088	5,042
Transactions with bank cards	7,368	2,997
Cash and settlement services	3,348	3,698
Foreign exchange transactions	3	-
Fee and commission income	**18,807**	**11,737**
Transactions with bank cards	(3,331)	(1,182)
Cash backing transactions	(743)	(333)
Settlement transactions	(718)	(379)
Securities operations	(100)	(97)
Foreign exchange transactions	(222)	(77)
Other transactions	(856)	(583)
Fee and commission expense	**(5,970)**	**(2,651)**
Net fee and commission income	**12,837**	**9,086**

(in thousands of Belarusian Rubles)

Revenue recognition policy

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with customer. The Bank recognizes revenue when it transfers control over the service to the customer.

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

Type of service	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition in accordance with IFRS 15
Retail and corporate banking service	The Bank provides banking services to retail and corporate customers, including account maintenance, foreign currency transactions, execution and issuance of credit cards and account maintenance. The commission for servicing accounts is charged by debiting the corresponding amounts from the client's account on a monthly basis. The Bank sets tariffs separately for retail and corporate banking customers on an annual basis. The commission for currency exchange operations, foreign currency transactions is charged by debiting the corresponding amounts from the client's account during the transaction. The commission for current maintenance is charged monthly based on fixed rates, which are annually reviewed by the Bank.	The commission for servicing accounts is recognized over time as the services are rendered. Remuneration for the transaction is recognized at the time of the transaction.

24. NET INCOME FROM TRANSACTIONS IN FOREIGN CURRENCY

Net income from transactions in foreign currency comprise:

	2022	2021
Net income from transactions in foreign currency:		
- trading transactions	30,127	11,038
- revaluation (exchange rate differences)	(14,008)	(290)
including:		
revaluation of the foreign currency items of the balance sheet	*(27,790)*	*(4,223)*
the incomplete part of SPOT transactions	*13,782*	*3,933*
Total net income from transactions in foreign currency	**16,119**	**10,748**

25. OTHER INCOME

Other income comprises the following:

	2022	2021
Fines and penalties received	2,904	1,927
Income from operating leases	884	1,481
Proceeds related to debt previously written-off	403	271
Income from sale of other assets	91	367
Income from consulting services	5	35

(in thousands of Belarusian Rubles)

Dividends	4	14
Other	626	258
Total other income	**4,917**	**4,353**

26. NON-INTEREST EXPENSES

Non-interest expenses include the following items:

	2022	2021
Salaries and bonuses	19,458	14,131
Social insurance expenses	6,065	4,651
Personnel costs	**25,523**	**18,782**
Services of automated interbank settlement system	3,494	2,506
Software maintenance costs	2,928	2,398
Legal, insurance, audit and consulting services	2,020	1,324
Marketing and advertising	2,430	1,298
Contributions to the individuals' deposit protection fund	962	1,047
Operating taxes	1,263	886
Maintenance expenses	848	737
Utility services	701	669
Security services	743	654
Telecommunications services	581	516
Transportation costs	453	505
Maintenance and repair of property and equipment	720	466
Charitable donations	115	251
Staff training costs, travel and related expenses	206	249
Transportation	290	238
Office supplies	208	136
Maintenance and lease of premises	62	81
Expenses from disposal of other assets	462	68
Expenses on disposal of property and equipment and intangible assets	23	50
Recognition of estimated liability on litigation	-	7
Other	1,886	1,133
Other operating expenses	**20,395**	**15,219**

27. RISK MANAGEMENT

Introduction

The Bank's activities have inherent risks. The Bank manages risks in the course of an ongoing process of identification, assessment and monitoring as well as through establishing risk limits and other internal control measures. The risk management process is critical to maintaining a stable profitability of the Bank, and each individual employee of the Bank is responsible for the risks associated with his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, which in turn is divided into the risk associated with trading transactions and the risk associated with non-trading activities. The Bank is also exposed to operational risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. Such risks are controlled by the Bank during the strategic planning process.

Risk management structure

The Supervisory Board is generally responsible for identifying and controlling risks, but there are also separate independent bodies responsible for managing and monitoring risks.

The Supervisory Board

The Supervisory Board is responsible for the overall approach to risk management, for the adoption of a strategy and principles for risk management.

Risk Committee

The functions of the Risk Committee, headed by an Independent Director, include monitoring the implementation of the risk management strategy and implementation of decisions of the Bank's Supervisory Board regarding the Bank's risk profile and risk tolerance, assessment of the effectiveness of the Bank's risk management system, comprehensive resolution of issues related to the analysis of key banking risks and the development of policies for their management.

Audit Committee

The functions of the Audit Committee, headed by an Independent Director, include general management and provision of organization of the internal control system and the internal audit service of the bank, as well as selection and organization of interaction with audit organizations.

Management Board

The Management Board is responsible for the development of risk management strategy and policy and the implementation of risk principles, frameworks, policies and limits. It is responsible for the significant issues of risk management and controls the implementation of relevant decisions taken with respect to risks.

Finance Committee

The task of the Finance Committee is to conduct a unified financial policy of the Bank in the management of financial resources, aimed at the systematic growth of its income, increasing the efficiency of the use of financial resources.

Credit Committee

The Committee is responsible for comprehensive credit risk management, coordinates the activities of the Bank's divisions in the field of credit risk management in order to achieve an optimal ratio of credit risk and profitability.

Banking Risk Management Department

The Department performs quantitative and qualitative assessment of bank risks, analytical and methodological support of the risk analysis and management process, informs the Bank's management bodies on the level of accepted risks.

Treasury of the Bank

The Bank's Treasury is responsible for managing the Bank's assets and liabilities, as well as for the overall financial structure. The Treasury is also primarily responsible for the Bank's liquidity and funding risks.

Internal Audit

Risk management processes within the Bank are audited annually by the Audit Department, which verifies both the sufficiency of the procedures and the implementation of these procedures by the Bank. Audit Department discusses the results of the inspections with the management and presents its findings and recommendations to the Audit Committee and the Bank's Supervisory Board.

Risk assessment and reporting systems

The Bank's risks are assessed using various tools: scenario methods, which make it possible to determine the level of risk in different scenarios, client risk assessment, stress testing and others.

Risk monitoring and control are mainly based on the limits set by the Bank. Such limits reflect the business strategy and market environment of the Bank as well as the level of risk the Bank is ready to take. In addition, the Bank monitors and evaluates its overall risk-bearing capacity when calculating capital adequacy and other economic ratios.

Information obtained on all types of activities is studied and processed for the purpose of analysis, control and early detection of risks. This information is submitted with explanations to the Supervisory Board, the Management Board, and the Risk Committee, the Finance Committee and the Credit Committee (to the extent of their competence). The reports contain information on the aggregate amount of credit risk, liquidity ratios, levels of operational and currency risks, and changes in risk levels. The adequacy of the allowance for credit losses is assessed on a monthly basis. On a quarterly basis, the Supervisory Board receives a report on the implementation of the Bank's Strategic Development Plan, which contains information on the implementation of volume indicators and financial results.

Risk mitigation

As part of its risk management, the Bank uses a system of measures and restrictions established by local regulations to manage positions resulting from changes in interest rates, exchange rates, equity price risk, credit risk, and projected transaction positions. The Bank actively uses collateral to reduce its credit risk.

Excessive concentration of credit risks

Risk concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Risk concentrations reflect the relative sensitivity of the Bank's performance to changes in conditions that affect a particular industry or geographic region. In order to avoid excessive concentrations of risks the Bank's policies and procedures include specific guidelines aimed at maintaining a diversified portfolio. The established concentrations of credit risk are monitored and managed accordingly.

Credit risk

Credit risk is the risk that the Bank will incur losses in case its clients or counterparties do not meet their contractual obligations.

Credit risk control in respect of borrowers (except for counterparty banks) includes the following procedures:

– monitoring of issued credit instruments by the relevant structural divisions of the Bank;

– classification of assets and contingent liabilities and creation of special provisions to cover possible losses with respect to assets and contingent liabilities;

– control of debtors' compliance with the terms of credit and similar agreements.

Control over the acceptable level of credit risk with respect to amounts deposited with counterparty banks include the following:

– Analysis of negative financial and non-financial information in the process of applying the previously established limits (performed by the banking risk control department);

– regular and follow-up control over compliance with the limits (additional limits) set for counterparty banks.

The results of the analysis serve as the basis for the development of proposals for the departments working with clients on the parameters recommended for clients attracted by credit services. Additional parameters limiting the concentration of the Bank's portfolio can be developed on the basis of the portfolio analysis.

All activities carried out by the credit departments of the Bank during the monitoring of current loans are aimed at identifying problems at an early stage.

The credit quality control system allows the Bank to assess the amount of potential losses from the risks to which it is exposed and to take the necessary measures.

For most loans, the Bank obtains collateral and guarantees from legal entities and individuals, however, a certain portion of loans is granted to individuals in respect of whom obtaining collateral or guarantees is inapplicable. Such risks are monitored on a regular basis.

The maximum exposure to credit risk for the components of the statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

Where financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The maximum exposure to credit risk is equal to the carrying amount of financial assets.

Credit-related commitments risks

The Bank provides its clients with the possibility of obtaining guarantees that may require the Bank to make payments on behalf of clients. Customers shall reimburse such payments to the Bank in accordance with the terms and conditions of the guarantee. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

Credit quality of loans to corporate customers

The Bank uses an internal rating system for assessing the financial condition of corporate customers to determine credit ratings. The new credit rating scale consists of 10 groups (from 1 to 9, as well as D), where group 1 corresponds to the lowest credit risk, group 9 to the highest credit risk, and D rating is default. For purposes of ECL modeling, the ratings are grouped into the following quality categories:

Quality category	Group rated
Low risk	1,2,3,4
Standard risk	5
Watch list	6
High risk	7
Pre-default	8.9
Default	D

(in thousands of Belarusian Rubles)

The table below summarizes the credit quality of loans to legal entities, measured at amortized cost, in the statement of financial position by credit quality categories calculated on the basis of the internal credit rating system.

	Not overdue Quality category						Overdue	Total 31 December 2022
	Low risk	Standard	Watch list	High risk	Pre-default	Default		
Loans to corporate customers	5,404	51,026	108,972	61,237	6,314	7	12,039	**244,999**

	Not overdue Quality category						Overdue	Total 31 December 2021
	Low risk	Standard	Watch list	High risk	Pre-default	Default		
Loans to corporate customers	4,235	22,221	102,035	64,814	6,931	18	20,874	**221,128**

(in thousands of Belarusian Rubles)

The table below shows the credit quality of loans to legal entities at amortized cost, of the statement of financial position, by impairment stage, broken down by credit quality categories calculated on the basis of the internal credit rating system.

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total 31 December 2022
Loans to corporate customers				
Low risk	5,404	-	-	5,404
Standard risk	51,026	-	-	51,026
Watch list	109,108	27	-	109,135
High risk	28,345	33,342	-	61,687
Pre-default	-	6,567	-	6,567
Default	-	-	11,180	11,180
Total gross carrying amount of loans to corporate customers	**193,883**	**39,936**	**11,180**	**244,999**
Allowance for expected credit losses	(1,800)	(474)	(6,247)	(8,521)
Total loans to corporate customers	**192,083**	**39,462**	**4,933**	**236,478**

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total 31 December 2021
Loans to corporate customers				
Low risk	4,234	-	-	4,234
Standard risk	22,221	-	-	22,221
Watch list	90,454	11,633	-	102,087
High risk	24,265	41,193	-	65,458
Pre-default	-	7,740	-	7,740
Default	-	-	19,388	19,388
Total gross carrying amount of loans to corporate customers	**141,174**	**60,566**	**19,388**	**221,128**
Allowance for expected credit losses	(459)	(1,277)	(11,758)	(13,494)
Total loans to corporate customers	**140,715**	**59,289**	**7,630**	**207,634**

(in thousands of Belarusian Rubles)

Credit quality of loans to retail customers

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total 31 December 2022
Loans to retail customers				
Not overdue	140,239	-	-	140,239
1–30 days	7,238	-	-	7,238
31–60 days	-	2,658	-	2,658
61–90 days	-	1,650	-	1,650
Over 90 days	-	-	19,652	19,652
Total gross carrying amount of loans to retail customers	147,477	4,308	19,652	171,437
Allowance for credit losses	**(2,699)**	**(1,578)**	**(11,826)**	**(16,103)**
Total loans to retail customers	144,778	2,730	7,826	155,334

	12-month ECL (Stage 1)	Lifetime ECL (Stage 2)	Lifetime ECL (Stage 3)	Total 31 December 2021
Loans to retail customers				
Not overdue	155,820	-	-	155,820
1–30 days	5,625	-	-	5,625
31–60 days	-	2,605	-	2,605
61–90 days	-	1,208	-	1,208
Over 90 days	-	-	10,117	10,117
Total gross carrying amount of loans to retail customers	**161,445**	**3,813**	**10,117**	**175,375**
Allowance for credit losses	(2,476)	(1,340)	(5,280)	(9,096)
Total loans to retail customers	158,969	2,473	4,837	166,279

Credit quality of amounts due from financial institutions and securities

The following table analyzes the credit quality of funds held in financial institutions and securities based on quasi-ratings using the following methodology: international ratings on the Moody's rating scale as at the beginning of 2022 were adopted with a 1-step shift down to account for the macroeconomic environment and the relative location of Belarusian and Russian issuers on the rating charts of Russian rating agencies (ACRA, Expert RA) is used to adjust the final quasi-rating (downgrade).

(in thousands of Belarusian Rubles)

	Aa3	Aa3	B1	Ba1	B3	Ca	Caa1	Total 31 December 2022
Amounts due from financial institutions	1,537	-	-	63	3,676	19,283	335	24,894
Mandatory reserve deposits with the National Bank of the Republic of Belarus	-	-	-	-	5,125	-	-	5,125
Securities	-	-	-	-	111,433	-	-	111,433

	Aa2	Aa3	A1	Baa2	Ba2	B3	Caa3	Total 31 December 2021
Amounts due from financial institutions	25	255	102	2	5	995	100	1,484
Mandatory reserve deposits with the National Bank of the Republic of Belarus	-	-	-	-	-	5,757	-	5,757
Securities	-	-	-	-	-	95,102	-	95,102

(in thousands of Belarusian Rubles)

Offsetting of financial assets and liabilities

The disclosure in the table below includes financial liabilities that are subject to a legally enforceable general netting agreement or similar agreements that relate to the same financial instruments whether they are offset in the consolidated statement of financial position or not. Similar financial instruments include repurchase transactions, reverse repurchase transactions, agreements on securities borrowing and lending. Information on such financial instruments as loans and deposits is not disclosed in the table below, except for the cases when they are set in the statement of financial position.

	Full amounts of recognized financial liabilities	Full amounts of recognized financial instruments which were offset in the statement of financial position		Amount of financial instruments which were not offset in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
31 December 2022						
REPO agreements with banks	(4,705)	-	(4,705)	4,764	-	59
Total financial liabilities	**(4,705)**	**-**	**(4,705)**	**4,764**	**-**	**59**
31 December 2021						
REPO agreements with banks	(18,344)	-	(18,344)	19,175	-	831
Total financial liabilities	**(18,344)**	**-**	**(18,344)**	**19,175**	**-**	**831**

Financial liabilities from repurchase transactions with banks are included in amounts due to financial institutions.

(in thousands of Belarusian Rubles)

Geographic concentration

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

	31 December 2022				31 December 2021			
	Belarus	OECD countries	CIS countries and others	Total	Belarus	OECD countries	CIS countries and others	Total
Cash and cash equivalents	211,903	14,940	2,723	**229,566**	117,809	12,953	7,047	**137,809**
Amounts due from financial institutions	23,290	1,541	63	**24,894**	1,095	382	7	**1,484**
Mandatory reserve deposits with the National Bank of the Republic of Belarus	5,125	-	-	**5,125**	5,757	-	-	**5,757**
Derivative financial assets	235	-	188	**423**	521	-	346	**867**
Loans to customers	376,526	-	15,286	**391,812**	363,702	-	10,211	**373,913**
Securities	111,433	-	-	**111,433**	95,102	-	-	**95,102**
Other financial assets	1,634	-	-	**1,634**	815	-	-	**815**
Total financial assets	**730,146**	**16,481**	**18,260**	**764,887**	**584,801**	**13,335**	**17,611**	**615,747**
Amounts due to financial institutions	29,290	-	15,100	**44,390**	65,897	-	78	**65,975**
Derivative financial liabilities	-	-	389	**389**	-	-	6	**6**
Customer accounts	385,416	24,224	148,140	**557,780**	266,573	59,424	78,915	**404,912**
Debt securities issued	69,342	-	-	**69,342**	70,214	-	-	**70,214**
Other financial liabilities	3,940	-	-	**3,940**	4,953	-	-	**4,953**
Total financial liabilities	**487,988**	**24,224**	**163,629**	**675,841**	**407,637**	**59,424**	**78,999**	**546,060**
Net financial assets and liabilities	**242,158**	**(7,743)**	**(145,369)**	**89,046**	**177,164**	**(46,089)**	**(61,388)**	**69,687**

(in thousands of Belarusian Rubles)

Liquidity risk

Liquidity risk is the risk that the Bank will be unable to fulfill its payment obligations when they fall due in normal or unforeseen circumstances. In order to limit this risk, the management ensured that various sources of financing were available in addition to the current minimum amount of bank deposits. The management also manages assets by taking into account liquidity and monitors future cash flows and liquidity on a daily basis.

The process comprises evaluation of expected cash flows and availability of high-quality collateral, which may be used for obtaining additional funds if required.

The Bank also assesses liquidity in terms of compliance with the liquidity ratios set by the National Bank of the Republic of Belarus. Prudential indicators are used to assess liquidity risk. Values of liquidity indicators as at 1 January 2023 and 1 January 2022 are presented below:

Reporting date	Name of norm	
	Liquidity coverage	Net stable funding
Norm	at least 100.00%	at least 100.00%
1 January 2023	189.4%	173.2%
1 January 2022	117.0%	148.0%

The Bank maintains a portfolio of diverse, high-demand assets that can be quickly liquidated for cash in the event of an unforeseen interruption of cash flow, and has also entered into lines of credit that it can use to meet cash flow needs.

In addition, in accordance with the requirements of the legislation of the Republic of Belarus, the Bank places a cash deposit (mandatory reserve) with the National Bank of the Republic of Belarus, the amount of which depends on the level of customer deposits.

The table below summarizes the Bank's financial liabilities as at 31 December 2022 and 31 December 2021 by their remaining contractual maturity based on contractual undiscounted repayment obligations.

Liabilities which are to be paid on the first notice are considered as if collection notice was given at the earliest possible date. However, the Bank expects that the majority of customers will not request repayment on the earliest date on which the Bank would be required to pay and, accordingly, the table does not reflect the expected cash flows indicated by the Bank's deposit retention history. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

(in thousands of Belarusian Rubles)

31 December 2022:	Less than 3 months	From 3 to 12 months	1 to 5 years	Over 5 years	Total
Amounts due to financial institutions	53,249	1,679	2,135	230	57,293
Derivative financial liabilities	-	-	-	-	-
Customer accounts	415,778	116,687	39,030	-	571,495
Debt securities issued	-	8,925	79,116	-	88,041
Other financial liabilities	2,723	-	-	-	2,723
Financial guarantees and loan commitments	120,341	-	-	-	120,341
Total undiscounted financial liabilities	**592,091**	**127,291**	**120,281**	**230**	**839,893**

31 December 2021:	Less than 3 months	From 3 to 12 months	1 to 5 years	Over 5 years	Total
Due to the National Bank	18,077	-	-	-	18,077
Amounts due to financial institutions	41,665	10,084	1,133	2,778	55,660
Customer accounts	323,054	78,203	10,924	-	412,181
Debt securities issued	-	7,157	85,261	-	92,418
Other financial liabilities	1,035	-	-	-	1,035
Total undiscounted financial liabilities	**383,831**	**95,444**	**97,318**	**2,778**	**579,371**

The Bank expects that not all financial guarantees and loan commitments will need to be fulfilled before they expire.

The maturity analysis does not reflect the historical stability of funds in current accounts, which have traditionally been repaid over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

The following are the contractual maturities of derivative financial instruments that are settled by delivery of the underlying asset.

31 December 2022:	Less than 3 months	From 3 to 12 months	1 to 5 years	Over 5 years	Total
Receivables under forward and swap transactions	83,520	-	-	-	83,520
Liabilities under forward and swap transactions	(83,490)	-	-	-	(83,490)

31 December 2021:	Less than 3 months	From 3 to 12 months	1 to 5 years	Over 5 years	Total
Receivables under forward and swap transactions	103,800	-	-	-	103,800
Liabilities under forward and swap transactions	(102,784)	-	-	-	(102,784)

(in thousands of Belarusian Rubles)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices. Market risk is managed and controlled using various sensitivity analysis techniques. With the exception of currency positions, the Bank has no significant concentrations of market risk.

Equity risk

Equity risk is the risk of changes in the value of equity financial instruments. The Bank is exposed to equity risk as a result of changes in stock exchange quotations of the shares available in the Bank's trading portfolio.

As at 31 December 2022 and 31 December 2021, the Bank had no trading portfolio of equity financial instruments.

Market risk - non-trading portfolio

Interest rate risk

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

The Bank's interest rate risk management policy is primarily aimed at maintaining sufficient interest margin and a stable level of net interest income. The Bank's interest rate policy is analyzed and developed by the Finance and Credit Committees and approved by the Management Board of the Bank. To assess the interest rate risk exposure of the bank portfolio, the bank uses GAP-analysis and interest rate spread assessment. The following tables present a sensitivity analysis of interest rate risk based on changes that were reasonably possible for floating rate financial instruments and fixed rate financial instruments carried at fair value through other comprehensive income. The extent of these changes is determined by management. The sensitivity analysis presents the effect of increasing/decreasing interest rates effective as at 31 December 2022 by 5 percentage points, assuming that changes occur at the beginning of the fiscal year, after which rates remain unchanged throughout the reporting period, with all other factors considered unchanged.

Increase in basis points	Sensitivity of net interest income	Effect on equity
2022	**2022**	**2022**
500	3,891	2,918

Decrease in basis points	Sensitivity of net interest income	Effect on equity
2022	**2022**	**2022**
(500)	(3,891)	(2,918)

Increase in basis points	Sensitivity of net interest income	Effect on equity
2021	**2021**	**2021**
500	6,679	5,009

(in thousands of Belarusian Rubles)

Decrease in basis points	Sensitivity of net interest income	Effect on equity
2021	2021	2021
(500)	(6,679)	(5,009)

The following table presents a sensitivity analysis of fair value risk, which has been made based on reasonably possible changes in fixed-rate securities. The extent of these changes is determined by management. The sensitivity analysis presents the effect of a 1% increase and a 1% decrease in interest rates effective at the reporting date on the Bank's equity, assuming that changes occur at the beginning of the financial year, after which rates remain unchanged throughout the reporting period, with all other factors held constant.

	31 December 2022		31 December 2021	
	Interest rate +1%	Interest rate -1%	Interest rate +1%	Interest rate -1%
Securities	(1,162)	1,208	(1,926)	1,971
Net impact on equity	(872)	906	(1,445)	1,478

(in thousands of Belarusian Rubles)

The Bank's management monitors its interest rate margin and believes that the Bank is not exposed to significant interest rate risk or consequential cash flow risk.

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Board has set limits on positions in foreign currency based on the requirements of the National Bank of the Republic of Belarus. Positions are monitored by the Banking Risk Management Department on a daily basis.

Information about the Bank's exposure to foreign currency risk as at 31 December 2022 and 31 December 2021 is presented below:

	BYN	USD 1 = 2.7364	EUR 1 = 2.9156	RUB 100 = 3.7835	Other currencies	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	83,782	24,749	25,637	83,014	12,384	229,566
Derivative financial assets	423	-	-	-	-	423
Amounts due from financial institutions	21,869	2,986	-	39	-	24,894
Mandatory reserves with the National Bank	5,125	-	-	-	-	5,125
Securities	8,467	75,670	27,296	-	-	111,433
Loans to customers	254,147	64,357	33,119	40,189	-	391,812
Other financial assets	1,217	393	24	-	-	1,634
TOTAL FINANCIAL ASSETS	**375,030**	**168,155**	**86,076**	**123,242**	**12,384**	**764,887**
FINANCIAL LIABILITIES:						
Amounts due to financial institutions	5,612	33,484	5,214	80	-	44,390
Derivative financial liabilities	389	-	-	-	-	389
Customer accounts	226,259	128,677	66,619	62,885	73,340	557,780
Debt securities issued	69,342	-	-	-	-	69,342
Other financial liabilities	3,760	4	175	1	-	3,940
TOTAL FINANCIAL LIABILITIES	**305,362**	**162,165**	**72,008**	**62,966**	**73,340**	**675,841**
TOTAL CURRENCY POSITION	**69,668**	**5,990**	**14,068**	**60,276**	**(60,956)**	**89,046**

(in thousands of Belarusian Rubles)

	BYN	USD 1 = 2.7364	EUR 1 = 2.9156	RUB 100 = 3.7835	Other currencies	Total
Receivables under forward and swap transactions	-	9,885	-	12,427	61,208	83,520
Liabilities under forward and swap transactions	-	(12,442)	(2,332)	(68,716)	-	(83,490)
NET POSITION UNDER FORWARD AND SWAP TRANSACTIONS	**-**	(2,557)	(2,332)	(56,289)	61,208	**30**
TOTAL CURRENCY POSITION	**69,668**	**3,433**	**11,736**	**3,987**	**252**	**89,076**

	BYN	USD 1 = 2.5481	EUR 1 = 2.8826	RUB 100 = 3.4322	Other currencies	31 December 2021 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	63,875	51,964	12,009	9,640	321	137,809
Derivative financial assets	867	-	-	-	-	867
Amounts due from financial institutions	101	1,381	-	2	-	1,484
Mandatory reserves with the National Bank	5,757	-	-	-	-	5,757
Securities	9,585	53,795	31,722	-	-	95,102
Loans to customers	232,298	29,318	76,605	35,692	-	373,913
Other financial assets	813	-	-	2	-	815
TOTAL FINANCIAL ASSETS	**313,296**	**136,458**	**120,336**	**45,336**	**321**	**615,747**

(in thousands of Belarusian Rubles)

	BYN	USD 1 = 2.5481	EUR 1 = 2.8826	RUB 100 = 3.4322	Other currencies	31 December 2021
FINANCIAL LIABILITIES:						
Amounts due to financial institutions	49,909	8,896	7,157	13	-	65,975
Derivative financial liabilities	6	-	-	-	-	6
Customer accounts	132,896	113,246	32,249	126,506	15	404,912
Debt securities issued	70,214	-	-	-	-	70,214
Other financial liabilities	977	1,377	2,598	1	-	4,953
TOTAL FINANCIAL LIABILITIES	**254,002**	**123,519**	**42,004**	**126,520**	**15**	**546,060**
TOTAL CURRENCY POSITION	**59,294**	**12,939**	**78,332**	**(81,184)**	**306**	**69,687**
Receivables under forward and swap transactions	8,135	11,524	-	84,141	-	103,800
Liabilities under forward and swap transactions	(2,525)	(29,303)	(70,768)	-	(188)	(102,784)
NET POSITION UNDER FORWARD AND SWAP TRANSACTIONS	**5,610**	**(17,779)**	**(70,768)**	**84,141**	**(188)**	**1,016**
TOTAL CURRENCY POSITION	**64,904**	**(4,840)**	**7,564**	**2,957**	**118**	**70,703**

(in thousands of Belarusian Rubles)

The following table shows the currencies in which the Bank has significant positions as at 31 December 2022 and 31 December 2021 for non-trading monetary assets and liabilities and projected cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Belarusian ruble on the statement of comprehensive income (due to the existence of non-trading monetary assets and liabilities whose fair value is sensitive to changes in the currency rate), with all other variables held constant. Negative amounts in the table reflect a potential net decrease in the statement of comprehensive income and equity, while positive amounts reflect a potential net increase.

	at 31 December 2022		**at 31 December 2021**	
	BYN/USD 10.00%	BYN/USD -10.00%	BYN/USD 10.00%	BYN/USD -10.00%
Effect on profit before tax	343	(343)	(484)	484
Effect on equity	257	(257)	(363)	363

	at 31 December 2022		**at 31 December 2021**	
	BYN/EUR 10.00%	BYN/EUR -10.00%	BYN/EUR 10.00%	BYN/EUR -10.00%
Effect on profit before tax	1,174	(1,174)	756	(756)
Effect on equity	881	(881)	567	(567)

	at 31 December 2022		**at 31 December 2021**	
	BYN/RUB 10.00%	BYN/RUB -10.00%	BYN/RUB 10.00%	BYN/RUB -10.00%
Effect on profit before tax	(7,338)	7,338	296	(296)
Effect on equity	(5,504)	5,504	222	(222)

Commodity risk

Commodity risk reflects the amount of possible losses of the Bank associated with changes in the value of goods. The Bank considers movable property received as repayment for loan transactions and property intended for sale to be subject to commodity risk. As at 31 December 2022 and 31 December 2021, the carrying amounts of these assets were BYN 76 thousand and BYN 741 thousand, respectively, and the value of commodity risk as at 31 December 2022 and 31 December 2021 was BYN 14 thousand and BYN 133 thousand, respectively.

Operational risk

Operational risk is a risk occurring due to a systemic failure, personnel's mistakes, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Bank cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Bank is able to manage the risks. The control system includes effective segregation of duties, access rights, approval and reconciliation procedures, staff training, and evaluation procedures, including internal auditing.

(in thousands of Belarusian Rubles)

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank uses the following hierarchical structure of evaluation methods to determine and disclose information on the fair value of financial instruments.

- Level 1: quoted market price (unadjusted) in an active market for an identical asset or liability.

- Level 2: estimation methods based on observable data obtained either directly or indirectly. This category includes instruments that are measured using quotes in active markets for similar instruments; quotes for similar or identical instruments in markets that are considered less active; or other valuation techniques for which all significant inputs are directly or indirectly available based on market information.

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The table below analyzes financial instruments carried at fair value, by level in the fair value hierarchy:

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial assets	-	423	-	423
Securities	-	59,686	-	59,686
	-	**60,109**	**-**	**60,109**

31 December 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Derivative financial liabilities	-	389	-	389
	-	**389**	**-**	**389**

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Derivative financial assets	-	867	-	867
Securities	-	95,102	-	95,102
	-	**95,969**	**-**	**95,969**

31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial liabilities				
Derivative financial liabilities	-	6	-	6
	-	**6**	**-**	**6**

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 techniques. These incorporate the Bank's estimate of assumptions that a market participant would make when valuing the instruments.

(in thousands of Belarusian Rubles)

Securities carried at FVOCI

Information on current market quotes at the date is used to determine the fair value of securities measured at fair value through other comprehensive income.

Derivatives

Derivative instruments whose value is determined using valuation models with market observable inputs are primarily interest rate and currency swaps. The most frequently applied valuation models include swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are recognized in the financial statements.

	Carrying amount as at 31 December 2022	Fair value as at 31 December 2022	Carrying amount as at 31 December 2021	Fair value as at 31 December 2021
Financial assets				
Cash and cash equivalents	229,566	229,566	137,809	137,809
Derivative financial assets	423	423	867	867
Due from financial institutions and mandatory reserves with the National Bank of the Republic of Belarus	24,894	24,894	1,484	1,484
Loans to customers	391,812	406,644	373,913	384,262
Securities	111,433	108,426	95,102	95,102
Other financial assets	1,634	1,634	815	815
Financial liabilities				
Amounts due to financial institutions	44,390	44,390	65,975	65,975
Derivative financial liabilities	389	389	6	6
Customer accounts	557,780	560,408	404,912	406,044
Debt securities issued	69,342	69,342	70,214	70,214
Other financial liabilities	3,940	3,940	4,953	4,884

Financial assets and liabilities with fair values approximating their carrying values

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to demand deposits, savings accounts without a fixed maturity and floating rate financial instruments.

Fixed rate financial instruments

The fair value of financial assets and liabilities with fixed interest rates, which are recognized at amortized cost are estimated by comparing market interest rates at the moment of first recognition with current market rates for similar financial instruments. The estimated fair value of fixed interest-bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debt instruments with similar credit risk and maturity.

(in thousands of Belarusian Rubles)

29. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities by expected maturities as at 31 December 2022 and 31 December 2021.

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity defined	Total as at 31 December 2022
FINANCIAL ASSETS:						
Cash and cash equivalents	229,861	-	-	-	-	229,861
Amounts due from financial institutions	15,138	9,756	-	-	-	24,894
Mandatory reserves with the National Bank	-	-	-	-	5,125	5,125
Derivative financial assets	328	-	-	-	-	328
Loans to customers	142,388	90,901	159,568	-	-	392,857
Securities	13,726	-	97,159	548	-	111,433
Other financial assets	1,634	-	-	-	-	1,634
TOTAL FINANCIAL ASSETS	**402,529**	**100,483**	**256,202**	**548**	**5,125**	**764,887**
	-	-	-	-	-	-
FINANCIAL LIABILITIES:	**-**	-	-	-	-	-
Amounts due to financial institutions	41,085	1,541	1,548	216	-	44,390
Derivative financial liabilities	389	-	-	-	-	389
Customer accounts	322,922	165,408	69,450	-	-	557,780
Debt securities issued	1,900	6,052	61,390	-	-	69,342
Other financial liabilities	3,940	-	-	-	-	3,940
TOTAL FINANCIAL LIABILITIES	**370,236**	**173,001**	**132,388**	**216**	**-**	**675,841**
OPEN BALANCE SHEET POSITION	**32,293**	**(72,518)**	**123,814**	**332**	**5,125**	**89,046**

(in thousands of Belarusian Rubles)

	Less than 3 months	3 to 12 months	1 to 5 years	More than 5 years	No maturity defined	Total as at 31 December 2021
FINANCIAL ASSETS:						
Cash and cash equivalents	137,809	-	-	-	-	137,809
Amounts due from financial institutions	1,127	357	-	-	-	1,484
Mandatory reserves with the National Bank	-	-	-	-	5,757	5,757
Derivative financial assets	867	-	-	-	-	867
Loans to customers	114,919	93,531	165,463	-	-	373,913
Securities	-	22,268	72,306	528	-	95,102
Other financial assets	815	-	-	-	-	815
TOTAL FINANCIAL ASSETS	**255,537**	**116,156**	**237,769**	**528**	**5,757**	**615,747**
FINANCIAL LIABILITIES:						
Amounts due to financial institutions	53,511	9,500	315	2,649	-	65,975
Derivative financial liabilities	6	-	-	-	-	6
Customer accounts	195,486	86,485	122,916	25	-	404,912
Debt securities issued	-	824	69,390	-	-	70,214
Other financial liabilities	4,953	-	-	-	-	4,953
TOTAL FINANCIAL LIABILITIES	**253,956**	**96,809**	**192,621**	**2,674**	**-**	**546,060**
OPEN BALANCE SHEET POSITION	**1,581**	**19,347**	**45,148**	**(2,146)**	**5,757**	**69,687**

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above. The Bank's management believes that the diversification of such funds by number and type of depositors, as well as the experience accumulated by the Bank, indicate that these funds form a long-term and stable source of funding for the Bank's activities. At the same time, securities held by the Bank to meet its daily liquidity needs are classified as "1 to 5 years" and "more than 5 years" by maturity.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the successful management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. The items mismatching potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its risks in case of change in interest and exchange rates.

The revocable deposits as at 1 January 2023 maturing from 3 to12 months amount to BYN 2,792 thousand, maturing from 1 to 5 years: BYN 374 thousand (as at 1 January 2022, maturing from 3 to 12 months: BYN 11,115 thousand, maturing from 1 to 5 years: BYN 1,180 thousand).

30. RELATED PARTY DISCLOSURES

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

Related parties may enter into transactions that would not be conducted between unrelated parties. Prices and terms of such transactions may differ from those between unrelated parties.

As at 1 January 2023, 59 legal entities and 2,383 individuals hold the Bank's shares. The main shareholder is Rasim Arifovich Ismailov with 99.8459% of the shares.

The information in the statements is presented separately for each category of related parties:

- the controlling party is represented by the shareholder Rasim Arifovich Ismailov;
- the party with significant influence is not presented. In the structure of the Bank, there are no shareholders with a stake of 20% to 50% in the authorized capital;
- there are no affiliated legal entities as at 1 January 2023;
- jointly controlled legal entities are not presented. The Bank has not entered into joint venture agreements;
- other related parties are represented by all group companies in which the controlling party is Rasim Arifovich Ismailov, as well as private individuals and close family members of the owner;
- key management personnel of the Bank.

As at 31 December 2022 and 31 December 2021, customer accounts do not include amounts due to legal entities from related parties.

(in thousands of Belarusian Rubles)

The volumes of transactions and balances with related parties at the end of the reporting period, as well as the corresponding amounts of expenses and income for the year, are as follows:

	2022	
	Key management personnel	**Other related parties**
Loans before allowance for expected credit losses	49	11
- allowance for expected credit losses	1	-
Customer accounts	1,096	1,069
Financial credit related commitments	76	-

	2022	
	Key management personnel	**Other related parties/other related parties before ownership change**
Interest income	13	3
- other related parties	-	-
- other related	-	*3*
Interest expense	7	7
Expenses under lease contracts	-	-
Other banking and operating expenses (excluding payroll)	67	42
Payroll expenses	5,399	299

	2021	
	Key management personnel	**Other related parties**
Loans before allowance for expected credit losses	21	7
- allowance for expected credit losses	-	-
Customer accounts	157	187
Lease liabilities	-	-
Financial credit related commitments	26	2

	2021	
	Key management personnel	**Other related parties/other related parties before ownership change**
Interest income	3	3
- other related parties	-	-
- other related	-	*3*
Interest expense	4	4
Expenses under lease contracts	-	12
Other banking and operating expenses (excluding payroll)	2	7
Payroll expenses	2,780	204

31. SEGMENT ANALYSIS

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker and for which discrete financial information is available. An individual or a group of individuals engaged in allocation of resources and evaluation of the Bank's performance may be the chief operating decision maker. The chief operating decision maker is the Management Board of the Bank.

The Bank's operations are organized by main business segments:

- Retail segment – provision of retail banking services, services to individual clients to open and maintain settlement accounts, take deposits, provide retail investment products, custody services, debit and credit card services, consumer and mortgage lending.

- Corporate segment – this segment includes services for settlement and current accounts of organizations, attraction of deposits, overdrafts and other types of lending, operations with foreign currency and derivative financial instruments.

- Investment segment – operations with banks, securities market operations, operations within the framework of liquidity, currency and interest rate risks management.

- General banking segment – transactions, income and expenses of general banking importance are recognized.

Management monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Since 2021, the Bank has implemented transfer pricing in order to determine the financial results of the Bank's structural units and their contribution to the overall result of the Bank.

(in thousands of Belarusian Rubles)

Information on reportable segment profit or loss, assets and liabilities is presented below:

ASSETS:	**Investment segment**	**Corporate segment**	**Retail segment**	**General banking segment**	**31 December 2022**
Cash and cash equivalents	229,566	-	-	-	**229,566**
Amounts due from financial institutions	24,894	-	-	-	**24,894**
Mandatory reserve deposits with the National Bank of the Republic of Belarus	5,125	-	-	-	**5,125**
Loans to customers	-	236,480	155,332	-	**391,812**
Securities	111,433	-	-	-	**111,433**
Derivative financial assets	423	-	-	-	**423**
Other assets	-	-	-	5,663	**5,663**
TOTAL ASSETS	**371,441**	**236,480**	**155,332**	**5,663**	**768,916**
LIABILITIES:					
Amounts due to financial institutions	44,390	-	-	-	**44,390**
Customer accounts	-	333,609	224,171	-	**557,780**
Debt securities issued	-	69,342	-	-	**69,342**
Derivative financial liabilities	389	-	-	-	**389**
Other liabilities	-	-	-	9,480	**9,480**
TOTAL LIABILITIES	**44,779**	**402,951**	**224,171**	**9,480**	**681,381**

(in thousands of Belarusian Rubles)

ASSETS:	Investment segment	Corporate segment	Retail segment	General banking segment	31 December 2021
Cash and cash equivalents	137,809	-	-	-	**137,809**
Amounts due from financial institutions	1,484	-	-	-	**1,484**
Mandatory reserve deposits with the National Bank of the Republic of Belarus	5,757	-	-	-	**5,757**
Loans to customers	-	207,634	166,279	-	**373,913**
Securities	95,102	-	-	-	**95,102**
Derivative financial assets	867	-	-	-	**867**
Other assets				49,803	**49,803**
TOTAL ASSETS	**241,019**	**207,634**	**166,279**	**49,803**	**664,735**
LIABILITIES:					
Amounts due to financial institutions	65,975	-	-	-	**65,975**
Customer accounts	-	235,659	169,253	-	**404,912**
Debt securities issued	-	70,214	-	-	**70,214**
Derivative financial liabilities	6	-	-	-	**6**
Other liabilities	-	-	-	8,139	**8,139**
TOTAL LIABILITIES	**65,981**	**305,873**	**169,253**	**8,139**	**549,246**

(in thousands of Belarusian Rubles)

	Investment segment	Corporate segment	Retail segment	General banking segment	2022
Interest income calculated using the effective interest rate method	9,155	32,874	50,114	-	**92,143**
Interest expense	(2,982)	(18,640)	(22,368)	(310)	**(44,300)**
NET INTEREST INCOME	**6,173**	**14,234**	**27,746**	**(310)**	**47,843**
Effect of initial recognition of interest-bearing financial assets and liabilities	-	-	-	-	**-**
Creation of allowances for ECL on interest-bearing financial assets	2	(4,753)	(6,674)	-	**(11,425)**
Net interest income after allowances for ECL on interest-bearing financial assets	6,175	9,481	21,072	(310)	**36,418**
Net fee and commission income	3	9,934	2,900	-	**12,837**
Net income from transactions with securities	155	-	-	-	**155**
Net income from transactions in foreign currencies and derivative financial instruments	14,915	1,204	-	-	**16,119**
Other income	-	537	2,744	1,636	**4,917**
NON-INTEREST INCOME	15,073	11,675	5,644	1,636	**34,028**
Personnel costs	(4,626)	(8,736)	(12,161)	-	**(25,523)**
Depreciation and amortization	(1,082)	(1,818)	(2,959)	-	**(5,859)**
Other operating expenses	(3,976)	(5,041)	(7,229)	(4,149)	**(20,395)**
Impairment of investment property	-	-	-	(1,312)	**(1,312)**
(Creation)/ reversal of allowances for ECL on non-interest bearing financial assets and credit related commitments	(1,101)	(360)	(226)	(822)	**(2,509)**
Gain on subsequent increase in fair value of non-current assets held for sale, less selling costs	-	-	-	-	**-**
NON-INTEREST EXPENSES	(10,785)	(15,955)	(22,575)	(6,283)	**(55,598)**
Profit before income tax expense	10,463	5,201	4,141	(4,957)	**14,848**
Income tax expense	-	-	-	(2,248)	**(2,248)**
Profit for the year	10,463	5,201	4,141	(7,205)	**12,600**

(in thousands of Belarusian Rubles)

	Investment segment	Corporate segment	Retail segment	General banking segment	2022
For reference:					
Transfer income (expense)	(8,922)	19,396	(10,474)	-	**-**
Profit for the year including transfer result	**1,541**	**24,597**	**(6,333)**	**(7,205)**	**12,600**

	Investment segment	Corporate segment	Retail segment	General banking segment	2021
Interest income calculated using the effective interest rate method	5,796	22,117	37,643	-	**65,556**
Interest expense	(4,887)	(14,703)	(15,284)	(148)	**(35,022)**
NET INTEREST INCOME	**909**	**7,414**	**22,359**	**(148)**	**30,534**
Effect of initial recognition of interest-bearing financial assets and liabilities	-	-	-	-	**-**
Creation of allowances for ECL on interest-bearing financial assets	(29)	(6,920)	(3,548)	-	**(10,497)**
Net interest income after allowances for ECL on interest-bearing financial assets	880	494	18,811	(148)	**20,037**
Net fee and commission income	(469)	5,527	4,028	-	**9,086**
Net income from transactions with securities	170	-	-	-	**170**
Net income from transactions in foreign currencies and derivative financial instruments	2,518	1,333	6,897	-	**10,748**
Other income	4	351	1,833	2,165	**4,353**
NON-INTEREST INCOME	2,223	7,211	12,758	2,165	**24,357**
Personnel costs	(3,098)	(6,877)	(8,807)	-	**(18,782)**
Depreciation and amortization	(649)	(1,895)	(2,320)	-	**(4,864)**
Other operating expenses	(3,377)	(3,585)	(8,098)	(159)	**(15,219)**
(Creation)/ reversal of allowances for ECL on non-interest bearing financial assets and credit related commitments	-	(318)	7	(699)	**(1,010)**

(in thousands of Belarusian Rubles)

	Investment segment	Corporate segment	Retail segment	General banking segment	2021
Gain on subsequent increase in fair value of non-current assets held for sale, less selling costs	-	-	-	(217)	**(217)**
NON-INTEREST EXPENSES	(7,124)	(12,675)	(19,218)	(1,075)	**(40,092)**
Profit before income tax expense	(4,021)	(4,970)	12,351	942	**4,302**
Income tax expense	-	-	-	(313)	**(313)**
Profit for the year	(4,021)	(4,970)	12,351	629	**3,989**
For reference:					
Transfer income (expense)	4,826	3,947	(8,773)		**-**
Profit for the year including transfer result	**805**	**(1,023)**	**3,578**	**629**	**3,989**

(in thousands of Belarusian Rubles)

32. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Changes in financial liabilities related to financing activities for 2022 and 2021 are as follows:

	Lease liabilities	Debt securities issued	Dividends paid	Total liabilities arising from financing activities
Carrying amount as at 31 December 2020	**3,228**	**70,727**	**-**	**73,955**
Additions	2,599	8,156	-	10,755
Repayment	(1,450)	(8,610)	-	(10,060)
Charges	148	1,476	1	1,625
Accrual payments	(148)	(1,535)	(1)	(1,684)
Exchange differences	(250)	-	-	(250)
Carrying amount as at 31 December 2021	**4,127**	**70,214**	**-**	**74,341**
Additions	3,787	4,360	-	8,147
Repayment	(4,654)	(5,460)	-	(10,114)
Charges	310	1,053	1	1,364
Accrual payments	(310)	(825)	(1)	(1,136)
Exchange differences	(262)	-	-	(262)
Carrying amount as at 31 December 2022	**2,998**	**69,342**	**-**	**72,340**

33. CAPITAL ADEQUACY

The main regulatory body of the banking system is the National Bank of the Republic of Belarus, which establishes and monitors capital adequacy of the Bank.

In order to comply with capital management requirements, the National Bank of the Republic of Belarus requires the Bank to maintain a ratio of total capital to total risk weighted assets. The ratio is calculated on the basis of financial statements prepared in accordance with the National Financial Reporting Standards. The degree of risk is determined in accordance with the credit risk ratios of the National Bank of the Republic of Belarus, which are typical for certain classes of assets.

As at 31 December 2022, the Bank's regulatory capital amounted to BYN 108,155.4 thousand, tier 1 core capital amounted to BYN 89,464.9 thousand. As at 31 December 2022, the regulatory capital adequacy ratio was 13.006% (the standard being 10%) and the core capital adequacy ratio was 9.580% (the standard being 4.5%).

According to the law, the minimum size of regulatory capital for the Bank shall be not less than BYN 66,660 thousand as at 31 December 2022 and 31 December 2021.

As at 31 December 2022 and 31 December 2021, the Bank was in compliance with the capital requirements described above.

The capital adequacy ratios as at 31 December 2022 and 31 December 2021 based on these financial statements were as follows:

(in thousands of Belarusian Rubles)

	31 December 2022	31 December 2021
Tier 1 capital, BYN thousand	128,320	115,721
Tier 2 capital, BYN thousand	(742)	(232)
Total regulatory capital, BYN thousand	**127,578**	**115,489**
Tier 1 capital adequacy ratio, %	**26.0**	**23.7**
Normative capital adequacy ratio, %	**25.9**	**23.6**

34. SUBSEQUENT EVENTS

The financial statements are approved for issue on the same date as signed.

As at 1 January 2023, the refinancing rate of the National Bank of the Republic of Belarus was 12.00% per annum (9.25% per annum as at 1 January 2022), 10.5% per annum at the date of approval of the financial statements for issue.

As at the date of the financial statements issue, exchange rates were USD 1 = BYN 2.9421 (01 January 2023: USD 1 = BYN 2.7364), EUR 1 = BYN 3.2251 (01 January 2023: EUR 1 = BYN 2.9156), RUB 100 = BYN 3.6018 (01 January 2023: RUB 100 = BYN 3.7835).

According to the resolution of the regular annual general meeting of the Bank's shareholders, dividends on ordinary shares were declared in the amount of BYN 0.00 per share and BYN 0.000048 per share on preference shares for the year 2022.

Chairman of the Management Board S. A. Karpov

Chief Accountant E.M. Skriba

Signing date: 21 April 2023