Closed Joint-Stock Company “MTBank”

Financial statements
prepared in accordance with IFRS and Independent Auditors’ Report
for the year ended December 31, 2022

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Our ref. No. 05-01/17-1 of March 10, 2023

INDEPENDENT AUDITORS' REPORT

To the Chairman of the Management Board of Closed Joint-Stock Company "MTBank"
Mr. Dmitry P. Shidlovich

To the shareholders, Supervisory Board

Audit opinion

We have audited the financial statements of Closed Joint-Stock Company "MTBank" (CJSC "MTBank", Bank thereafter) (Republic of Belarus, 220002, Minsk, 10 Tolstogo Street, registered in the Unified State Register of Legal Entities and Individual Entrepreneurs under No. 100394906), which comprise the statement of financial position as at December 31, 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the 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 thereafter).

Basis for audit opinion

We conducted our audit in accordance with the Law of the Republic of Belarus "On Auditing Activities", the National Regulations on Auditing Activities, operating in the Republic of Belarus, International Standards on Auditing ("ISAs"). Our responsibilities under those requirements are further described in the section "Auditor's responsibilities for the audit of the financial statements" of our auditor's report.

We are independent of CJSC "MTBank" in accordance with the requirements of the Law of the Republic of Belarus "On Auditing Activities", the National Regulations on Auditing Activities and in accordance with the International Ethics Standards Board for Accountants, adopted by the International Federation of Accountants, and we have complied with other principles of professional ethics in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 for the current period. The below matter was 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 this matter.

Key audit matters	**Audit procedures performed in relation to a key audit matter and the results of their implementation**
Allowance for expected credit losses on loans to customers in accordance with IFRS 9 "Financial Instruments"	
We focused on this matter due to significance of loans to customers and significance of professional judgement and estimates required for calculation of expected credit losses in accordance with the new IFRS 9 "Financial Instruments" The identification of impairment, significant increase in credit risk, determination of probability of default	During the audit we examined and assessed the methodologies of CJSC "MTBank" used for assessing the allowance for expected credit losses on loans to individuals and legal entities. We assessed credit risk factors used by CJSC "MTBank" for determining significant increase in

and loss given default, determination of the recoverable amount and forecast of macroeconomic variables require a high level of professional judgement. Assessment of expected credit losses involves estimation techniques including internal credit ratings for calculation probability of default, historical data for determination of loss given default and forecasting of macroeconomic variables. Signs of significant increase in credit risk are also judgmental and are based on extent of downgrade in internal credit ratings, days overdue and other factors. The use of various models and assumptions in the calculation of expected credit losses can significantly affect the level of the allowance for expected credit losses on loans to customers. Note 4 "Significant judgements and estimates", Note 8 "Loans to customers", Note 25 "Risk management" included in the financial statements, provide detailed information on the allowance for expected credit losses and the Bank's management approach to assessing and managing risk.	credit risk. We analyzed rating models, key inputs and assumptions, model for assessing the probability of default, the level of recovery and adjustments due to macroeconomic factors, used for calculation of expected credit losses. We tested (on a sample basis) valuation models for sampled loans. Our work included assessment if the models and inputs are appropriate, re-performance of sampled calculations, and various analytical and other procedures. We analyzed information related to the allowance for expected credit losses on loans, disclosed in the notes to the financial statements. The audit evidence we have obtained as a result of the performed audit procedures is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the preparation of the financial statements

Management of CJSC "MTBank" is responsible for the preparation and fair presentation of the accompanying financial statements in accordance with International Financial Reporting Standards and for such internal control as Management determines is necessary to enable the preparation of the 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 ability of CJSC "MTBank" 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 CJSC "MTBank" or to cease operations, or has no realistic alternative but to do so.

Those charged with governance namely the Supervisory Board of CJSC "MTBank", are responsible for overseeing the financial reporting process.

Auditor's responsibilities for the audit of the financial statements

The objectives of our audit 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Law of the Republic of Belarus "On Auditing Activities" and the National Regulations on Auditing Activities, operating in the Republic of Belarus, ISAs will always detect a material misstatement when it exists. Misstatements can arise from error and/or fraud are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Law of the Republic of Belarus "On Auditing Activities" and the National Regulations on Auditing Activities, operating in the Republic of Belarus, ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud 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 of CJSC "MTBank" 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 internal control of CJSC "MTBank";

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made in the financial statements;

- Conclude on the appropriateness of Management's of CJSC "MTBank" 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 ability of CJSC "MTBank" to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CJSC "MTBank" 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 are required to 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 are required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the key audit matters. We disclose these matters in audit independent report unless law or regulation precludes public disclosure about the matter or when we reasonably determine that he adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of the disclosure.

Engagement partner,
Deputy Director of FBK-Bel LLC
(order No. 6-1/OD dated 15.01.2021)

Alexey G. Petuh
(auditor's qualification certificate No. 0000099)

Auditor in-charge,
Deputy Director for Bank Auditing of FBK-Bel LLC

Renata V. Kirslite
(auditor's qualification certificate No. 0002131)

Information about the audit organization:

FBK-Bel LLC;

Location: office 201-11, 22A Logoisky highway, Minsk, 220090, Republic of Belarus;

Information on state registration: registered by the Minsk City Executive Committee in the Unified State Register of Legal Entities and Individual Entrepreneurs on 06 February 2009 under No. 690398039;

TIN 690398039.

The registration number of the entry of the audit organization in the register of audit organizations is 10069.

Date of signing the auditors' report March 10, 2023.

Auditors' report received on March 10, 2023.

Chairman of the Management Board of CJSC "MTBank", Dmitry P. Shidlovich

Республика Беларусь г. Минск Закрытое акционерное общество «МТБанк»
MTBank
Банк свежих решений

Statement of Financial Position

As at December 31, 2022

(in thousands of Belarusian rubles)

		December 31, 2022	*December 31, 2021*
Assets			
Cash and cash equivalents	5	511 291	462 905
Due from credit and financial institutions	6	67 848	22 734
Derivative financial assets	7	-	99
Loans to customers	8	1 468 509	1 352 258
Investment securities	9	79 811	40 441
Property, plant and equipment and right-of-use assets	10	44 682	50 141
Intangible assets	11	36 050	33 826
Other assets	13	20 152	13 520
Total assets		**2 228 343**	**1 975 924**
Liabilities			
Due to credit institutions	14	55 448	87 124
Derivative financial liabilities		-	121
Due to customers	15	1 484 892	1 335 444
Debt securities issued	16	52 617	58 117
Current income tax liabilities		3 341	167
Deferred income tax liabilities	12	22 785	14 521
Subordinated debt	17	48 618	32 491
Other liabilities	13	41 790	25 361
Total liabilities		**1 709 491**	**1 553 346**
Equity			
Share capital	18	110 426	110 426
Revaluation reserve for investment securities	9	947	614
Revaluation reserve for property, plant and equipment		39	-
Retained earnings		407 440	311 538
Total equity		**518 852**	**422 578**
Total equity and liabilities		**2 228 343**	**1 975 924**

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

March 09, 2023

Statement of Comprehensive Income

As at December 31, 2022

(in thousands of Belarusian rubles)

	Note	2022	2021
Interest income calculated using the effective interest method			
Loans to customers		240 952	188 277
Investment securities		3 180	2 029
Due from credit and financial institutions		3 117	3 019
		247 249	**193 325**
Other interest income		**6 789**	**6 040**
Interest expense			
Due to customers		(75 725)	(66 322)
Debt securities issued		(6 418)	(9 158)
Other borrowings		(3)	(1 876)
Due to credit institutions		(6 744)	(9 466)
Subordinated debt		(2 439)	(1 962)
Operating lease liabilities		(383)	(30)
		(91 712)	**(88 814)**
Net interest income before allowance for expected credit losses for financial instruments		**162 326**	**110 551**
Allowance for expected credit losses for financial instruments	5, 6, 8, 9, 13	(29 492)	(1 788)
Net interest income		**132 834**	**108 763**
Fee and commission income	22	132 404	123 271
Fee and commission expense	22	(76 937)	(70 170)
Realized income/(loss) on investment securities reclassified to profit or loss		(89)	(106)
Net gain from foreign currency transactions	21	84 141	32 347
Net loss from initial recognition of financial instruments at fair value		-	(141)
Income from business acquisition		-	27 771
Other income	23	25 032	15 440
Non-interest income		**164 551**	**128 412**
Personnel expenses	24	(71 891)	(61 012)
Depreciation and amortization	10, 11	(21 599)	(21 184)
Other operating expenses	24	(52 691)	(47 437)
Other impairment expenses	13	(1 100)	-
Non-interest expenses		**(147 281)**	**(129 633)**
Profit before income tax expenses		**150 104**	**107 542**
Income tax expense	12	**(38 722)**	**(21 633)**
Profit for the year		**111 382**	**85 909**

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

March 09, 2023

The accompanying Notes on pages 12-79 form an integral part of these Financial Statements.

Statement of Comprehensive Income

As at December 31, 2022

(in thousands of Belarusian rubles)

	Note	2022	2021
Profit for the year		**111 382**	**85 909**
Other comprehensive income/(loss)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods			
Realized income/(loss) on investment securities reclassified to profit or loss		89	106
Unrealized income/(loss) on investment securities		(424)	(106)
Changes in allowance for expected credit losses for investment securities		668	(56)
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Property, plant and equipment revaluation		52	-
Income tax recognised in other comprehensive income		(13)	-
Other comprehensive income for the year		**372**	**(56)**
Total comprehensive income for the year		**111 754**	**85 853**

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

March 09, 2023

Statement of Changes in Equity

As at December 31, 2022

(in thousands of Belarusian rubles)

	Share capital	*Revaluation reserve for investment securities*	*Revaluation reserve for property, plant and equipment*	*Retained earnings*	*Total*
As at January 1, 2021	**110 426**	**670**	**-**	**225 629**	**336 725**
Profit for the year	-	-	-	85 909	**85 909**
Other comprehensive income					
Changes in allowance for expected credit lossess for investment securities	-	(56)	-	-	**(56)**
Total other comprehensive income	**-**	**(56)**	**-**	**-**	**(56)**
Total comprehensive income for the year	**-**	**(56)**	**-**	**85 909**	**85 853**
As at December 31, 2021	**110 426**	**614**	**-**	**311 538**	**422 578**
Profit for the year	-	-	-	111 382	**111 382**
Other comprehensive income					
Changes in revaluation reserve for investment securities	-	333	-	-	**333**
Changes in revaluation reserve for property, plant and equipment	-	-	39	-	**39**
Total other comprehensive income	**-**	**333**	**39**	**-**	**372**
Total comprehensive income for the year	**-**	**333**	**39**	**111 382**	**111 754**
Transactions with shareholders					
Dividends paid	-	-	-	(15 480)	**(15 480)**
Total transactions with shareholders	-	-	-	**(15 480)**	**(15 480)**
As at December 31, 2022	**110 426**	**947**	**39**	**407 440**	**518 852**

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

March 09, 2023

Statement of Cash Flows

As at December 31, 2022

(in thousands of Belarusian rubles)

	Note	2022	2021
Cash flows from operating activities			
Interest received		246 999	206 846
Interest paid		(93 427)	(88 768)
Commission received		134 899	123 892
Commission paid		(76 226)	(70 316)
Realized net gain on foreign currency transactions		75 168	32 206
Other income received		27 887	14 929
Personnel expense paid		(70 018)	(60 953)
Other operating expense paid		(54 583)	(43 923)
Cash flows from operating activities before changes in operating assets and liabilities		**190 699**	**113 913**
Net increase/(decrease) in operating assets			
Due from credit institutions		(44 901)	2 110
Loans to customers		(98 091)	28 936
Other assets		(2 123)	4 987
Net increase/(decrease) in operating liabilities			
Due to credit institutions		(31 646)	(49 880)
Due to customers		129 556	78 267
Other liabilities		15 508	(217)
Net cash flows from operating activities before income tax		**159 002**	**178 117**
Income tax paid		(28 136)	(21 076)
Net cash inflows from operating activities		**130 866**	**157 041**
Cash flows from investing activities			
Purchase of investment securities		(75 629)	(155 498)
Proceeds from sale and repayment of investment securities		32 634	162 672
Acquisition of property, plant and equipment and intangible assets	10, 11	(22 049)	(19 043)
Proceeds from sale of property, plant and equipment and intangible assets		456	1 050
Business acquisition		-	44 762
Net cash inflow/(outflow) from investing activities		**(64 588)**	**33 943**
Cash flows from financing activities			
Proceeds from debt securities issued		198 105	393 866
Repayment of debt securities issued		(203 016)	(427 871)
Repayment of other borrowings		-	(20 000)
Proceeds from subordinated loans		12 965	-
Dividends paid	18	(15 480)	-
Lease liability payments	13	(5 658)	(10 505)
Net cash inflow/(outflow) from financing activities		**(13 084)**	**(64 510)**

Statement of Cash Flows (continued)

	Note	2022	2021
Effect of exchange rate changes on the balance of cash and cash equivalents		(1 253)	(3 542)
Net increase in cash and cash equivalents		**51 941**	**122 932**
Cash and cash equivalents at the beginning of the year		462 905	339 986
Reclassification from cash and cash equivalents	5	(3 510)	-
Credit loss allowance for expected credit losses	5	(45)	(13)
Cash and cash equivalents at the end of the year	5	**511 291**	**462 905**

Reconciliation of changes in liabilities to cash flows arising from financing activities is presented below.

	December 31, 2021	Proceeds	Repayments	Non-cash changes	Other changes		December 31, 2022
				Exchange rate changes	Interest paid	Interest received	
Debt securities issued	58 117	198 105	(203 016)	(699)	(6 308)	6 418	52 617
Other borrowings	-	-	-	-	(3)	3	-
Subordinated debt	32 491	12 965	-	3 047	(2 324)	2 439	48 618
Total	**90 608**	**211 070**	**(203 016)**	**2 348**	**(8 635)**	**8 860**	**101 235**

	December 31, 2020	Proceeds	Repayments	Non-cash changes	Other changes		December 31, 2021
				Exchange rate changes	Interest paid	Interest received	
Debt securities issued	78 653	393 866	(427 871)	(195)	4 506	9 158	58 117
Other borrowings	20 672	-	(20 000)	-	(2 548)	1 876	-
Subordinated debt	32 783	-	-	(381)	(1 873)	1 962	32 491
Total	**132 108**	**393 866**	**(447 871)**	**(576)**	**85**	**12 996**	**90 608**

The movement of liabilities and cash flows on lease are disclosed in Note 14.

Signed and approved for issue on behalf of the Management Board of CJSC "MTBank"

D.P. Shidlovich — Chairman of the Management Board

Y.G. Zakhvatovich — Chief Financial Officer

March 09, 2023

(in thousands of Belarusian rubles)

1. Business

Closed Joint-Stock Company "MTBank" (hereinafter – "CJSC "MTBank"" or the "Bank") was registered under the laws of the Republic of Belarus by the National Bank of the Republic of Belarus (hereinafter − the "National Bank") on March 14, 1994 as a closed joint-stock commercial bank with foreign investment. The Bank's activities are regulated by the National Bank. The Bank operates under banking license No. 13 issued by the National Bank of the Republic of Belarus on December 30, 2022. The Bank also possesses permit (license) No. 02200/5200-1246-1112 for securities operations issued by the Ministry of Finance of the Republic of Belarus, and a special permit (license) No. 019/68 issued by the Operational and Analytical Center under the President of the Republic of Belarus for the right to carry out technical protection of information, including cryptographic methods, such as the use of an electronic digital signature.

The Bank accepts deposits from the public, grants loans and transfers cash within the Republic of Belarus and abroad, exchanges currencies and provides other banking services to its corporate clients and individuals. The Bank's head office is located in Minsk, at 10 Tolstogo Str During the reporting period, the Bank didn't change its legal address.

As at December 31, 2022 the Bank had the following structure: the headquarters, 1 banking service center and 38 settlement and cash desks, 45 remote work places, 6 movable banking service centers.

As at December 31, 2021 the Bank had the following structure: the headquarters, 3 banking service centers and 43 settlement and cash desks, 49 remote work places, 6 movable banking service centers.

As at December 31, 2022 and 2021 the Bank had neither subsidiaries nor associates.
As at December 31, 2022 and 2021 the Bank's issued shares were owned by the following shareholders:

Shareholder	*December 31, 2022*	*December 31, 2021*
MTB Investments Holdings Limited (Cyprus)	99,1326%	99,1326%
Other	0,8674%	0,8674%
	100,000%	**100,000%**

The Bank's ultimate controlling owner was Abdo Romeo Abdo.

2. Basis of preparation

General

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

The Bank is required to maintain accounting and prepare financial statements in Belarusian Rubles for regulatory purposes in accordance with Belarusian accounting and banking legislation and regulations (hereinafter - "BAS"). These financial statements are based on the Bank's BAS accounting data, as adjusted and reclassified in order to comply with IFRS.

The functional currency of the Bank is the Belarusian Ruble (BYN).

The financial statements have been prepared on a historical cost basis except for the estimate of non-monetary items recognized before December 31, 2014, which were accounted for in accordance with IAS 29 – Financial Reporting in Hyperinflationary Economies and items measured at fair value.

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

The Bank's shares are not traded in a public market, the securities issued by the Bank are not included in the quotation sheets of OJSC Belarusian Currency and Stock Exchange, the Bank is not recognized as listed company and, accordingly, does not apply IAS 33 – Earnings per Share and IFRS 8 – Operating Segments.

(in thousands of Belarusian rubles)

Impact of the geopolitical situation

Since February 2022, the escalation of geopolitical tensions has had a negative impact on the economy of the Republic of Belarus. The European Union, the United States and a number of other countries have imposed new sanctions on a number of Belarusian state and commercial organizations, including banks, individuals and certain sectors of the economy, as well as restrictions on certain types of transactions, including the blocking of funds in foreign bank accounts. Some international companies announced suspension of activities in the Republic of Belarus or the termination of products supply to the Republic of Belarus. This led to increased volatility in the stock and currency markets.

The Bank continues to assess the effect of these events and the changes in the economic conditions on its operations, financial position and financial results.

Going concern

The Bank has assessed its possibility to continue as a going concern considering all available information about future. The Bank developed and approved adequate and realistic action plans to ensure compliance with the development direction set forth by the strategic goals, and to ensure the Bank’s operation in the current circumstances, as well as financing plans within crisis events. Based on the analysis of the factors relevant to the current and expected profitability of the Bank’s operations, debt repayment schedules and potential sources of replacement financing, the Bank considers that use of the going concern assumption in foreseeable future is appropriate.

The Bank has analyzed the possible impact of the geopolitical and macroeconomic situation on the financial position and results of the Bank's activities by conducting a comprehensive stress test of the Bank's solvency, liquidity, as well as assessing the credit risk of the largest borrowers. Stress testing involved assessing the impact on the Bank's stability of the basic and two stressful macroeconomic scenarios (moderate shock scenario, severe shock scenario). According to the results of the stress testing, the Bank ensures compliance with the regulatory equity adequacy ratio, the absence of negative accumulated liquidity gaps, and the profitability of its activities. The estimated values of resource outflows and changes in the quality of loan portfolios do not threaten the safety of functioning.

In the current geopolitical situation and its impact on the economic situation, the Bank has developed, approved and applied a number of preventive measures aimed at increasing the risk-orientation of decisions in the field of active operations and designed to reduce the level of risks taken by the Bank.

The Bank has also gained experience in maintaining sustainable functioning in an unfavorable epidemiological situation. The developed action plan to ensure the continuous operation and restoration of the Bank's activities in the face of unforeseen circumstances (epidemiological threat) will make it possible to take prompt and effective response measures in the face of new epidemics.

Inflation accounting

Up to December 31, 2014, the economy of the Republic of Belarus was considered to be hyperinflationary in accordance with the criteria of IAS 29 - Financial Reporting in Hyperinflationary Economies (hereinafter – “IAS 29”). Accordingly, the adjustments and the reclassifications of items for the purposes of presentation of IFRS financial statements include restatement, in accordance with IAS 29, taking into account changes in the general purchasing power of the Belarusian Ruble.

Starting from January 1, 2015, the economy of the Republic of Belarus is no longer considered hyperinflationary. The value of non-monetary assets, liabilities and equity of the Bank, presented in measuring units as at December 31, 2014, was used to form the opening balances as at January 1, 2015.

(in thousands of Belarusian rubles)

The Bank operates in the Republic of Belarus. Consequently, the Bank is exposed to the economy and financial markets of the Republic of Belarus, which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are 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. The methods of monetary policy regulation, adopted by the National Bank, made it possible to reduce both the volatility of the Belarusian Ruble and the level of inflation over the past several years. Despite this, the period of depreciation of the Belarusian Ruble and the period of high inflation that followed the stabilization, still lead to some uncertainty in the conditions of economic activity in the Republic of Belarus.

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

3. Significant accounting policies

Financial assets and financial liabilities

a) Classification of financial instruments

Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost or at fair value through other comprehensive income (“FVTOCI”) or at fair value through profit or loss (“FVTPL”).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated by the Bank as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (“SPPI”).

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

For debt financial assets measured at fair value through other comprehensive income, gains and losses are recognized in other comprehensive income, except for the following items that are recognized in profit or loss as well as financial assets measured at amortized cost:

- Interest income calculated using the effective interest method;
- Expected credit losses and recovered impairment losses; and
- Profit or loss from changes in exchange rates.

Upon derecognition of a debt financial asset measured at FVTOCI, accumulated profit or loss previously recognized as part of other comprehensive income is reclassified from equity to profit or loss.

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.

For such equity instruments, profits and losses are never reclassified to profit or loss and no impairment is recognized in profit or loss.

(in thousands of Belarusian rubles)

All other financial assets are classified as measured at FVTPL.

In addition, on initial recognition, the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Business model assessment

The Bank makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information that is provided to management. The Bank considers the following information:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to the Bank's management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how flows are realized.

Financial assets that are held for trading or whose management and performance are evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset at initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making assessment, the Bank considers:

- Contingent events that would change the amount or timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period when the Bank changes its business model for managing financial assets.

Financial assets measured at amortized cost are initially measured at fair value including additional direct transaction costs and subsequently measured at their amortized cost using the effective interest method.

Financial assets measured at fair value are initially measured at fair value plus, if the financial assets are not measured at FVTPL, the relevant transaction costs are subsequently recognized at fair value.

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In regard to financial assets measured at FVTOCI gains or losses are recognized at other comprehensive income less interest income calculated using effective interest method, expected credit losses and recovery of amounts written-off on losses and exchange rates, recognized in profit or loss.

Gains and losses on financial assets measured at FVTPL are recognized in profit or loss at subsequent restatement of a financial instrument.

Financial liabilities

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

Reclassification

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

b) Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank currently has a legally enforceable right to set off the amounts and it intends to realize the asset and settle the liability simultaneously. The right to set-off should not be subject to an event in the future and should have legal force in all the following circumstances:

- In the ordinary course of business;
- In case of non-compliance with the obligation; and
- In the event of insolvency or bankruptcy of the entity or any of the counterparties.

These conditions are generally not met for master netting agreements, and the assets and liabilities are recognized in the statement of financial position in full.

c) Derecognition of financial instruments

Financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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 accumulated gain or loss that had been recognized in other comprehensive income is recognized in profit or loss.

Any accumulated gain/loss recognized in other comprehensive income in respect of equity investment securities designated by the Bank as FVTOCI is not subject to reclassification to profit or loss on derecognition of such securities. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Bank is recognized as a separate asset or liability.

The Bank enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and repurchase transactions.

In transactions in which the Bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

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Financial liabilities

The Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

d) Modifications of financial assets and financial liabilities

Modification of financial assets

If the terms of a financial asset are modified, then the Bank evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, 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.

Changes in cash flows on existing financial assets or financial liabilities are not considered modifications if they are a consequence of current contract terms, for example, changes in interest rates by the Bank due to changes in the refinancing rate of the National Bank of Belarus, if the corresponding loan agreement provides for the Bank to change interest rates.

The Bank conducts a quantitative and qualitative assessment of whether the modification is significant, i.e. whether cash flows for the initial financial asset and cash flows on modified or replacing financial asset are significantly different. The Bank conducts a quantitative and qualitative assessment of the modification significance, analyzing the qualitative factors, quantitative factors and the cumulative effect of qualitative and quantitative factors. If the cash flows differ significantly, it is considered that the rights to the contractual cash flows of the original financial asset have expired. In conducting this assessment, the Bank is guided by instructions regarding the derecognition of financial liabilities by analogy.

The Bank concludes that the modification is considered significant based on the following qualitative factors:

- Change in the currency of a financial asset;
- Change in the terms of a financial asset leading to SPPI discrepancy.

If cash flows are modified when the borrower has financial difficulties, then the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in forgiveness of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place (see below for write-off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. Additionally, the Bank performs a qualitative evaluation of the significance of modification of terms.

If the modification of a financial asset measured at amortized cost or FVTOCI does not result in derecognition of the financial asset, then the Bank first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the assets and recognizes the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, 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 or fees incurred, and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

If such a modification is carried out because of financial difficulties of the borrower, the gain or loss is presented together with impairment losses. In other cases, it is presented as interest income calculated using the effective interest method.

For loans with a fixed interest rate, the terms of which stipulate the borrower's right to early repayment at nominal value without significant fines, the change in the interest rate to the market level in response to

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changing market conditions is taken into account by the Bank in the same way as for accounting instruments with a floating interest rate, i.e. the effective interest rate is revised prospectively.

Modification of financial liabilities

liability are substantially different. In this 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 derecognized and consideration paid is recognized in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumed liabilities, including the new modified financial liability.

The Bank conducts a quantitative and qualitative assessment of the modification significance, analyzing the qualitative factors, quantitative factors and the cumulative effect of qualitative and quantitative factors. The Bank concludes that the modification is considered significant, based on the following qualitative factors:

- Change in the currency of the financial liability;
- Conversion condition;
- A change in the subordination of a financial liability.

For the purpose of quantification, conditions are considered to be significantly different if the present value of cash flows in accordance with new conditions, including payments of commissions less commissions received, discounted at the initial effective interest rate, differs by at least 10% of the discounted present value remaining cash flows from 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 toss 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.

e) Impairment

The Bank recognizes loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVTPL:

- Financial assets that are debt instruments;
- Net investments in finance leases;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognized on equity investments.

The Bank recognizes loss allowances in an amount equal to the lifetime expected credit losses, excluding financial instruments for which credit risk has not increased significantly since their initial recognition.

The Bank does not apply exemptions associated with low credit risk.

12-month expected credit losses (12-month ECL) are the portion of ECL that result from default events on a financial instrument, possible within 12 months after the reporting date. Financial instruments and associated with them 12-month ECL are classified as "Stage 1" financial instruments.

Lifetime expected credit losses (lifetime ECL) are defined as ECL as a result of all possible events of default of the financial instrument throughout its expected duration. Financial instruments that are not purchased or originated credit-impaired assets and associated with them lifetime ECL are classified as "Stage 2" financial instruments (if the credit risk has increased significantly since its initial recognition, but is not credit-impaired) and "Stage 3" (in case if the financial instrument is credit-impaired).

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash insufficient receipts (i.e. the difference between the contractual cash flows due to the Bank and the cash flows that the Bank expects to receive);

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- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive; and
- Financial guarantee contracts: the present value of expected payments to reimburse the holder less any amounts that the Bank expects to recover.

Restructured financial assets

If under the parties` mutual agreement 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 will 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 will result 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, debt financial assets measured at FVTOCI and financial guarantees, loan commitments, as well as 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.

The list of impairment events used by the Bank when analyzing borrowers is given in Note 25.

A loan that has been renegotiated due to a deterioration in the borrower's financial position is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a loan that is overdue for 90 days or more is considered impaired.

Purchased or originated credit-impaired financial assets (POCI-Assets)

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

- An asset that arose when the financial asset was derecognized as a result of a significant modification of the terms of the contracts in the framework of the restructuring of the credit-impaired financial assets;
- Acquired credit-impaired financial assets.

Such assets are carried at fair value at initial recognition, with interest income subsequently recognized based on the effective interest rate adjusted for credit risk. The allowance for expected credit losses is recognized or restored only if there are further significant changes in expected credit losses. As at each reporting date, changes in expected credit losses for the entire term are recognized in profit or loss as an impairment gain or loss.

Presentation of allowance for ECL in the statement of financial position

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. If a financial instrument contains both a drawn and an undrawn component, the Bank

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determines expected credit losses collectively for the financial asset and separately for the assumed loan obligation: The aggregate amount is presented as a decrease in the gross carrying amount of a financial asset;

- financial guarantee contracts: generally, as a provision;
- Debt instruments measured at FVTOCI: no allowance for ECL is recognized in the statement of financial position because the carrying amount of these assets is their fair value. However, the allowance for ECL is disclosed and is recognized in the fair value reserve.

Write-offs

Loans and debt securities are written-off (either partially or in full) when there is no realistic prospect of recovery.

Reimbursement of previously written-off amounts is recognized in the “other income” item in the statement of comprehensive income.

In regard to written-off financial assets, the Bank may continue to carry out debt collection activities in accordance with its internal policies.

f) Measurement of fair value of financial instruments

The Bank measures such financial instruments as investment securities and derivatives at fair value at each reporting date. The information about the fair value of financial instruments measured at amortized cost is disclosed in Note 26.

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

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

The principal or the most advantageous market should be accessible by the Bank. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. 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 are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

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

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

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

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Cash and cash equivalents

Cash and cash equivalents include cash on hand, amounts due from the National Bank of the Republic of Belarus (excluding mandatory cash balances) and amounts due from credit institutions that initially mature within 90 days and are free from contractual liabilities, which can be easily converted into known amounts of cash and which are subject to only a slight risk of changes in value.

Due from credit and financial institutions

Due from credit and financial institutions include amounts of mandatory reserves deposited with the National Bank, due from credit and financial institutions with an initial repayment period of over 90 days, funds transferred as collateral for the Bank's operations, or for which the initial repayment schedules, guarantee deposits and other funds limited in use are not provided.

Repurchase and reverse repurchase agreements and securities lending

Repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and reclassified as securities pledged under sale and repurchase agreements, in case if the counterparty has the right to sell or repledge them under the contract terms. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position, unless they are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the statement of comprehensive income. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Bank uses various derivative financial instruments (including foreign exchange forwards and swaps). These financial instruments are held for trading and are initially recorded at fair value. Fair value is determined on the basis of market quotations or valuation models based on the current market and contractual value of the underlying instruments and other factors.

Derivative financial instruments with positive fair values are recorded as assets, and with negative fair value as liabilities. Gains and losses arising from transactions with these instruments are recorded in the statement of comprehensive income in net income/(expense) on foreign currency transactions.

Taxation

Current income tax expenses are calculated in accordance with the legislation of the Republic of Belarus.

Deferred tax assets and liabilities are calculated for all temporary differences using the balance sheet liability method. Deferred income taxes are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying values 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 recognized only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be offset and carried over future losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the period in which the liability is settled or the asset realized, based on the tax laws that have been enacted or substantively enacted as at the reporting date.

The Republic of Belarus also has various operating taxes that are applicable to the Bank's activities. These taxes are recognized as other operating expenses.

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Property, plant and equipment

Property, plant and equipment, with the exception of the "Office Premises" group, are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and impairment losses, as adjusted for hyperinflation. Such cost includes the cost of replacing part of the equipment that is recorded when that cost is incurred, if the recognition criteria are met.

Since 2022, the Bank has started using a revaluation model for a separate group of "Office premises" classified under "Buildings", which are accounted for at revalued cost, as described below, less accumulated depreciation and accumulated impairment losses. Revaluation of buildings should be carried out with sufficient regularity that does not allow for a significant difference in the carrying amount from that which would be determined using fair value at the end of the reporting period. The increase in the carrying amount as a result of revaluation is reflected in other comprehensive income and in equity as a "Revaluation of Property, Plant and Equipment". A decrease in the carrying amount offset against previous increases in the carrying amount of the same asset is reflected in other comprehensive income and reduces the effect of the "Revaluation of Property, Plant and Equipment " previously reflected in equity. All other cases of cost reduction are reflected in profit or loss for the year. The revaluation reserve of property, plant and equipment included in equity is transferred directly to retained earnings after the realization of the revaluation gain at the time of write-offs or disposal of the asset.

The carrying amount of property, plant and equipment is assessed for impairment in the event of events or changes in circumstances indicating that the carrying amount of this asset may not be recoverable.

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

	Years
Buildings	84-101
Computers and office equipment	2-11
Motor vehicles	6-9
Furniture and fixtures	1-52

The asset’s residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate, at each reporting year-end. Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

Intangible assets include software and licenses for software and activities that should be licensed.

Intangible assets acquired separately are initially measured at cost adjusted for hyperinflation. Following initial recognition, intangible assets are carried at cost less accumulated amortization and impairment losses. Intangible assets have finite useful lives and are amortized over the periods of 1 to 20 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Depreciation on intangible assets is calculated in a linear manner based on the useful lives and regulatory service lives established by contracts, patents, licenses, and other documents.

Leases

i. *Bank as a lessee*

The Bank recognizes right-of-use assets and lease liabilities at the lease commencement date in respect of all operating leases, except for short-term leases. Initial cost of right-of-use assets is recognized in the amount of initial cost of lease liabilities adjusted for lease payments made as at the lease commencement date or before such date, increased by the initial direct costs incurred and the estimated costs that will arise from dismantling and relocation of the underlying asset, restoration of the underlying asset or the site on which it is located, less the lease incentives received.

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Right-of-use assets

The Bank recognizes right-of-use assets at the lease commencement date (from the date when the use of the underlying asset is commenced). Subsequently, right-of-use assets are recognized less accumulated amortization and accumulated impairment losses, if any. Initial cost of right-of-use assets is formed from the amount of initially measured lease liability; any initial direct costs incurred by the lessee, less the amount of lease payments at the lease commencement date. Recognized right-of-use assets are depreciated on a straight-line basis over the shorter of the following: the date of expiration of the useful life of the right-of-use asset or the lease term expiration. The right-of-use asset is assessed for impairment.

Lease liability

The lease liability is measured at amortized cost using the effective interest method. Lease payments include fixed payments less any lease incentives receivable, variable lease payments based on an index or rate at the lease commencement date, amounts expected to be paid by the Bank under residual value guarantees. Lease payments also include the call option strike price if there is reasonable certainty that the Bank will exercise the option, and penalties for termination if the lease term reflects potential exercise by the Bank of the lease termination option. Variable lease payments, which do not depend on an index or rate, are recognized as an expense on a non- recurring basis in the period to which they relate. In determining the present value of lease payments, the Bank uses the incremental borrowing rate as at the date of the lease agreement. After the date of commencement of the lease agreement, the lease liability increases by the amount of accrued interest expenses and decreases by the amount of actually made lease payments. In addition, the amount of the lease liability is revalued if the lease contract is modified or if the lease term or the amount of substantially fixed payments is changed. Where the lease liability is revised in this way, the corresponding adjustment is made to the carrying amount of the right-of-use asset, or is charged to profit or loss if the carrying amount of the right-of-use asset was previously reduced to zero.

Short-term leases and low value leases

The Bank applies the exemption not to recognize short-term leases (for those leases where the lease term is less than 12 months from the lease commencement date, there is no option to renew the lease and purchase the underlying asset). The Bank can also apply practical expedient to leases with an underlying asset of low value (the cost of the underlying asset is less then USD 5 000 at the exchange rate effective at the reporting date).

For short-term leases and low value leases, the Bank recognizes lease payments under such leases as expenses on a straight-line basis over the lease term.

Significant judgements in determining the term of leases with a renewal option

The Bank determines the lease term as the lease period during which the Bank has sufficient assurance that the lease relations will not be terminated, together with the periods in respect of which a lease renewal option is provided for if there is sufficient assurance that the Bank will exercise this option, and the periods in respect of which a lease termination option is provided for if there is sufficient assurance that the Bank will not exercise this option. The Bank considers all relevant facts and circumstances that give rise to an economic incentive to exercise or not exercise the option. Subsequent to the lease commencement date, the Bank reassesses the lease term if there is either a significant event or a significant change in circumstances that are under the control of the Bank and affect the assessment of whether there is sufficient assurance that the option will be exercised or will not be exercised (for example, change of the business strategy).

ii. Financial lease − Bank as a lessor

At the inception or modification of the agreement containing a lease, the Bank allocates the compensation stipulated in the agreement to each lease component based on the existing relative prices of a separate transaction for such components.

Where the Bank is a lessor, at the inception of lease relationships it determines whether each of the agreements is a financial lease or an operating lease.

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In order to classify a lease agreement, the Bank makes an overall assessment of whether the lease agreement transfers substantially all of the risks and rewards of ownership of the underlying asset. If this is the case, then the lease is a finance lease; otherwise, the lease is an operating lease. As part of this assessment, the Bank considers certain indicators, in particular, whether the lease term constitutes a significant part of the economic life of the asset.

The Bank recognizes lease payments receivable in the amount equal to net investments in the lease from the lease commencement date. Finance income is calculated based on a pattern reflecting a constant periodic rate of return on the carrying amount of net investments. Initial direct costs are included in the initial measurement of the lease receivables.

The Bank applies the requirements of IFRS 9 in respect of derecognition and impairment to the net investment in lease. In addition, the Bank regularly reviews the estimated unguaranteed residual values used in the calculation of the gross investment in leases to determine if changes are required.

Due to credit institutions, customers, debt securities issued and subordinated debt

Deposits, debt securities issued and subordinated liabilities are initially measured at fair value less relevant transaction costs and subsequently at their amortized cost using the effective interest rate method.

Contingent assets and liabilities

Contingent liabilities are not recognized in the statement of financial position, and information about them is disclosed in the financial statements, apart from cases where the disposal of resources due to their redemption is unlikely. Contingent assets are not recognized in the statement of financial position, and information about them is disclosed in the financial statements in cases where it is probable that the economic benefits associated with them will be received.

Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with IFRS 9 and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

The Bank has issued no loan commitments that are measured at FVTPL.

For other loan commitments the Bank recognizes a loss allowance.

Financial liabilities recognized in relation to financial guarantees and loan commitments are included in other liabilities.

Provisions

Provisions are recognized when the Bank has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and that can be estimated reliably.

Obligations with regard to retirement and other benefits

The Bank does not have other pension arrangements other than the state pension system of the Republic of Belarus, which provides for calculating current pension funds contributions by the employer as a percentage of current total payments to the employees. These expenses are recognized in the same

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reporting period as the payroll to which they relate. In addition, the Bank has no significant post-retirement benefits.

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are recognized as a decrease in the amount received from the issue.

Non-monetary contributions are included in the share capital at fair value of the contributed assets as of the contribution date.

Dividends

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

Interest and similar income and expense

Effective interest rate

Interest income and expenses are recognized in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not ECL. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate on financial assets except for those measured at FVTPL includes transaction costs and fees and points 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.

Amortized cost and gross carrying amount

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 minus 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 allowance for expected credit losses.

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

Calculation of interest income and expense

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit- impaired) or to the amortized cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortization of the hedge adjustment begins.

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However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

Presentation

Interest income calculated using the effective interest method presented in the statement of comprehensive income includes:

- Interest income on financial assets measured at amortized cost;
- Interest income on debt instruments measured at FVTOCI.

Other interest income presented in the statement of comprehensive income includes interest income on net finance leases.

Interest expense presented in the statement of comprehensive income includes interest expenses on financial liabilities measured at amortized cost.

Fee and commission income and expense

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.

Other fee and commission income — including account servicing fees, investment management fees, sales commission— is recognized as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognized on a straight-line basis over the commitment period.

A contract with a customer that results in a recognized financial instrument in the Bank's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Bank first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

Net income from transactions with financial instruments measured at FVTPL

Net income from transactions with financial instruments measured at FVTPL includes gains less losses related to assets and liabilities available for trading, and all fair values changes and foreign exchange differences.

Effect of foreign currency exchange differences

The financial statements are presented in Belarusian Rubles, which is the Bank’s functional and presentation currency. Transactions in foreign currencies are initially translated to the functional currency at the exchange rate effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the exchange rate as at the reporting date. Gains and losses resulting from foreign currency transactions are recognized in the statement of comprehensive income as net gains from foreign currency transactions. Non-monetary items measured at historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the exchange rate of the National Bank at the date of the transaction are included in net gains from transactions in foreign currencies.

(in thousands of Belarusian rubles)

As at December 31, 2022 and 2021 the official exchange rate applied in the preparation of the financial statements is as follows:

	December 31, 2022	***December 31, 2021***
USD / BYN	2,7364	2,5481
EUR / BYN	2,9156	2,8826
RUB / BYN	0,037835	0,034322

New standards and interpretations not yet adopted

New standard and amendments are effective for annual periods beginning after December 31, 2022 2021 with early application permitted. However, the Bank has not early adopted the new and amended standards in preparation of these financial statements.

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

- *IFRS 17 – Insurance Contracts;*
- *Amendments to IAS 1 – Classification of Liabilities as Current or Non-current;*
- *Amendments to IAS 12 – Income Taxes;*
- *Amendments to IFRS 16 – Leases;*
- *Amendments to IAS 8 – Definition of Accounting Estimates;*
- *Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies.*

4. Significant judgements and estimates

In preparing these financial statements, the management has made judgements, estimates and assumptions that affect the application of the Bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on a regular basis. Adjusted estimates are recognized in a reviewed reporting period, including any other subsequent periods adjustments may impact.

Judgements

Information about assumptions used in applying accounting policies that have the most significant effects on the amounts recognized in the financial statements is disclosed in the following notes:

- Classification of financial assets: business-model valuation, within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding – Note 3.
- Establishing the criteria for determining whether credit risk on the financial assets 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 – Note 25.
- When assessing the loss given default (LGD) of individually significant borrowers the Bank applies judgment on the term of sale for the real estate taken as collateral under a corresponding loan under 12 months.
- For the purpose of determining the levels of the fair value hierarchy, the Bank applies judgment in regard to the active market definition. Description of the valuation methods and key inputs on financial instruments measured at fair value is given in Note 26.
- Operating lease: The Bank cannot determine easily the interest rate stipulated in the lease agreement, which is why it uses the incremental borrowing rate to measure lease commitments. The lessee's incremental borrowing rate is the rate of interest that the Bank would have to pay at the inception of a lease to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Bank determines incremental borrowing rate using observable inputs (such as market interest rates), if any, and uses specific estimates. With respect to the lease term, the Bank determines whether there is reasonable

(in thousands of Belarusian rubles)

certainty that the Bank will exercise options to extend and terminate the lease. For detailed information, see Note 3.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the year ended December 31, 2022 2021 is disclosed in the following notes:

- ECL assessment for financial instruments: determining inputs into the ECL measurement model, including incorporation of forecast information – Note 25.
- Impairment of financial instruments – Notes 5, 6, 8, 9, 13.
- Fair value measurement of financial assets and financial liabilities – Note 26.

5. Cash and cash equivalents

Cash and cash equivalents include:

	December 31, 2022	*December 31, 2021*
Current accounts with the National Bank of the Republic of Belarus	222 159	230 080
Cash on hand	195 015	120 071
Current accounts with other credit institutions	73 649	91 981
Due from credit institutions up to 90 days	20 606	20 866
Total cash and cash equivalents	**511 429**	**462 998**
Net of loss allowance	(138)	(93)
Cash and cash equivalents	**511 291**	**462 905**

As at December 31, 2022 current accounts with credit institutions include BYN 24 721 thousand, placed with nine banks in the Republic of Belarus, as well as BYN 22 802 thousand, placed with twelve banks in the Russian Federation (as at December 31, 2021 – BYN 56 187 thousand, placed with twelve banks in the Republic of Belarus, as well as BYN 29 580 thousand, placed with eight banks in the Russian Federation).

All balances of cash equivalents as at December 31, 2022 are recognized as Stage 1 for ECL calculation. During the year, the Bank reclassified debt in the amount of BYN 3 510 thousand from cash and cash equivalents to funds in credit and financial institutions due to non-compliance of these funds with the criteria for cash equivalents in 2022.

Movements in the loss allowance for funds placed in current accounts with credit institutions and short-term deposits are presented in the table below:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Allowance for ECL as at January 1	**93**		**-**	**93**
Transition to Stage 2	(3 510)	3 510	**-**	
Transition to Stage 3	-	(3 510)	3 510	**-**
New financial assets originated or purchased	3 648	-	-	**3 648**
Reclassification from cash and cash equivalents into due from credit and financial institutions	-	-	(3 510)	**(3 510)**
Repaid financial assets	(93)	-	-	**(93)**
Allowance for ECL as at December 31, 2022	**138**	**-**	**-**	**138**

Changes in the ECL for the year ended December 31, 2021 are presented below:

	Stage 1	*Total 2021*
Allowance for ECL as at January 1	**80**	**80**
New financial assets originated or purchased	93	93
Repaid financial assets	(80)	(80)
Allowance for ECL as at December 31, 2021	**93**	**93**

Movement in the loss allowance is associated with the changes in the amount of funds placed on current accounts in credit institutions and the National Bank of the Republic of Belarus, and short- term deposits:

(in thousands of Belarusian rubles)

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Debt as at January 1	**342 927**	**-**	**-**	**342 927**
Transition to Stage 2	(3 510)	3 510	-	-
Transition to Stage 3	-	(3 510)	3 510	-
New financial assets originated or purchased	316 414	-	-	316 414
Reclassification from cash and cash equivalents into due from credit and financial institutions	-	-	(3 510)	(3 510)
Repayment	(339 417)	-	-	(339 417)
Debt as at December 31	**316 414**	**-**	**-**	**316 414**

The movement specified above was provided to prove the change in the amount of ECL during the year and does not reflect any movement, if the Bank placed funds to its current accounts with credit institutions and the National Bank of the Republic of Belarus, as well as short-term deposits within the year.

Analysis of changes in gross carrying amount for the year ended December 31, 2021 is presented below:

	Stage 1	*Total 2021*
Debt as at January 1	**241 277**	**241 277**
New financial assets originated or purchased	342 928	342 928
Repayment	(241 278)	(241 278)
Debt as at December 31	**342 927**	**342 927**

6. Due from credit and financial institutions

Due from credit and financial institutions comprise:

	December 31, 2022	*December 31, 2021*
Funds in settlements with international payment systems	39 147	-
Mandatory reserve deposit with the National Bank of the Republic of Belarus	14 739	13 800
Term deposits placed for more than 90 days	14 408	9 124
Funds placed with non-resident banks	3 807	-
Total due from credit and financial institutions	**72 101**	**22 924**
Net of loss allowance	(4 253)	(190)
Due from credit and financial institutions	**67 848**	**22 734**

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

As at December 31, 2022, 92 of the term deposits placed for a period exceeding 90 days were placed with two banks in OECD (2021 – 65% with two banks in OECD).
As at December 31, 2022 term deposits placed for a period exceeding 90 days included BYN 13 338 thousand, placed as collateral for obligations under settlements using payment cards and international payment systems (2021: BYN 5 904 thousand).

(in thousands of Belarusian rubles)

Analysis of changes in ECL for the year ended December 31, 2022 is presented below:

	Stage 1	*Stage 3*	*Total 2022*
Allowance for ECL as at January 1	**190**	**-**	**190**
Net change in loss allowance	252	**-**	**252**
Reclassification from cash and cash equivalents into due from credit and financial institutions	-	3 510	**3 510**
Foreign exchange rate changes and other changes	4	297	**301**
Allowance for ECL as at December 31	**446**	**3 807**	**4 253**

The movements above were disclosed to prove the change in the amount of ECL during the year and does not reflect any movements if the Bank placed funds with credit institutions and the National Bank of the Republic of Belarus, as well as deposits within the year.

Analysis of ECL movements for the year ended December 31, 2021 is presented below:

	Stage 1	*Stage 2*	*Total 2021*
Allowance for ECL as at January 1	**130**	**39**	**169**
Transition to Stage 1	39	(39)	-
Net change in loss allowance	(3)	-	(3)
New financial assets originated or purchased	44	-	44
Repaid financial assets	(19)	-	(19)
Foreign exchange rate changes and other changes	(1)	-	(1)
Allowance for ECL as at December 31	**190**	**-**	**190**

Analysis of changes in gross carrying amount for the year ended December 31, 2022 is presented below:

	Stage 1	*Stage 3*	*Total 2022*
Debt as at January 1	**22 924**	**-**	**22 924**
New financial assets originated or purchased	49 831	-	**49 831**
Repayment	(5 125)	-	**(5 125)**
Reclassification from cash and cash equivalents into due from credit and financial institutions	-	3 510	**3 510**
Foreign exchange rate changes and other changes	664	297	**961**
Debt as at December 31	**68 294**	**3 807**	**72 101**

Analysis of changes in gross carrying amount for the year ended December 31, 2021 is presented below:

	Stage 1	*Stage 2*	*Total 2021*
Debt as at January 1	**19 049**	**-**	**19 049**
Transition to Stage 1	412	(412)	**-**
New financial assets originated or purchased	2 367	-	**2 367**
Repayment	(4 467)	-	**(4 467)**
Foreign exchange rate changes and other changes	5 563	-	**5 563**
Debt as at December 31	**22 924**	**-**	**22 924**

7. Derivative financial instruments

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

(in thousands of Belarusian rubles)

	December 31, 2022			*December 31, 2021*		
	Notional amount, equivalent	*Fair value*		*Notional amount, equivalent*	*Fair value*	
		Asset	*Liability*		*Asset*	*Liability*
Currency contracts						
Swaps − foreign contracts	-	-	-	16 728	6	(1)
Swaps − domestic contracts	-	-	-	51 477	93	(120)
Total derivative assets/ (liabilities)	-	-	-	**68 205**	**99**	**(121)**

Foreign contracts represented in the table above are contracts concluded with non-residents of the Republic of Belarus, whereas domestic contracts are contracts concluded with residents of the Republic of Belarus.

8. Loans to customers

Loans to customers include:

	December 31, 2022	*December 31, 2021*
Loans to legal entities	835 863	727 360
Loans to individuals	606 496	585 762
Financial lease	66 363	64 720
Total loans to customers	**1 508 722**	**1 377 842**
Net of loss allowance	(40 213)	(25 584)
Loans to customers	**1 468 509**	**1 352 258**

Since 2022, the Bank has been assessing the debt of individuals who are founders (participants, owners) of legal entities, within the framework of special credit products, under the article "Loans to legal entities". The movement in 2022 on such loans was taken into account in the movement of loans to legal entities.

Analysis of changes in loss allowance for loans to legal entities and individuals for the year ended December 31, 2022 is presented below. The movements above were disclosed to prove the change in the amount of ECL during the year and do not reflect any movements if the debt was originated or settled within the year.

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Allowance for ECL as at January 1 on loans to individuals				
Balance as at January 1	**2 796**	**773**	**6 632**	**10 201**
Transition to Stage 1	45	(6)	(39)	-
Transition to Stage 2	(826)	845	(19)	-
Transition to Stage 3	(8 484)	(2 369)	10 853	-
Net change in loss allowance	9 002	1 833	526	11 361
New financial assets originated or purchased	3 766	-	-	3 766
Financial assets that have been derecognized	(1 055)	(230)	(2 630)	(3 915)
Write-offs	-	-	(5 861)	(5 861)
Allowance for ECL as at December 31 on loans to individuals	**5 244**	**846**	**9 462**	**15 552**

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Allowance for ECL as at January 1 on loans to legal entities				
Balance as at January 1	**8 318**	**1 131**	**5 293**	**14 742**
Transition to Stage 1	2 125	(354)	(1 771)	-
Transition to Stage 2	(787)	889	(102)	-
Transition to Stage 3	(6 295)	(638)	6 933	-
Net change in loss allowance	(1 662)	421	8 010	6 769

(in thousands of Belarusian rubles)

New financial assets originated or purchased	9 788	-	-	9 788
Financial assets that have been derecognized	(5 969)	(169)	(1 735)	(7 873)
Foreign exchange rate changes and other changes	326	8	96	430
Allowance for ECL as at December 31 on loans to legal entities	**5 844**	**1 288**	**16 724**	**23 856**

Analysis of changes in loss allowance for loans to legal entities and individuals for the year ended December 31, 2021 is presented below:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2021*
Allowance for ECL as at January 1 on loans to individuals				
Balance as at January 1	**2 207**	**430**	**5 346**	**7 983**
Transition to Stage 1	421	(89)	(332)	-
Transition to Stage 2	(449)	468	(19)	-
Transition to Stage 3	(2 704)	(220)	2 924	-
Net change in loss allowance	(218)	490	12 436	12 708
New financial assets originated or purchased	4 458	-	-	4 458
Financial assets that have been derecognized	(919)	(306)	(3 767)	(4 992)
Write-offs	-	-	(10 284)	(10 284)
Unwinding of discount	-	-	328	328
Allowance for ECL as at December 31 on loans to individuals	**2 796**	**773**	**6 632**	**10 201**

	Stage 1	*Stage 2*	*Stage 3*	*Total 2021*
Allowance for ECL as at January 1 on loans to legal entities				
Balance as at January 1	**10 676**	**768**	**10 936**	**22 380**
Transition to Stage 1	6 467	(112)	(6 355)	-
Transition to Stage 2	(514)	929	(415)	-
Transition to Stage 3	(3 696)	(231)	3 927	-
Net change in loss allowance	(4 037)	392	7 171	3 526
New financial assets originated or purchased	6 937	-	-	6 937
Financial assets that have been derecognized	(6 705)	(601)	-	(7 306)
Write-offs	-	-	(10 550)	(10 550)
Unwinding of discount	-	-	648	648
Foreign exchange rate changes and other changes	(810)	(14)	(69)	(893)
Allowance for ECL as at December 31 on loans to legal entities	**8 318**	**1 131**	**5 293**	**14 742**

Movement in loss allowance is associated with the changes in gross carrying amount of loans to individuals:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Debt on loans to individuals, as at January 1				
Balance as at January 1	**567 775**	**5 171**	**12 816**	**585 762**
Transition to Stage 1	2 708	(269)	(2 439)	-
Transition to Stage 2	(3 282)	3 351	(69)	-
Transition to Stage 3	(15 018)	(2 996)	18 014	-
New financial assets originated or purchased	257 760	-	-	257 760
Financial assets that have been derecognized	(224 111)	(1 951)	(5 103)	(231 165)
Write-offs	-	-	(5 861)	(5 861)
Debt on loans to individuals, as at December 31	**585 832**	**3 306**	**17 358**	**606 496**

The Bank continued to apply debt collection procedures to all loans to individuals written-off during the years ended December 31, 2022 and December 31, 2021.

Movement in loss allowance is associated with the changes in gross carrying amount of loans to legal entities:

(in thousands of Belarusian rubles)

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Debt on loans to legal entities, as at January 1				
Balance as at January 1	**703 092**	**11 608**	**12 660**	**727 360**
Transition to Stage 1	10 180	(5 890)	(4 290)	-
Transition to Stage 2	(52 794)	53 041	(247)	-
Transition to Stage 3	(120 404)	(2 974)	123 378	-
New financial assets originated or purchased	503 666	-	-	503 666
Financial assets that have been derecognized	(405 629)	(4 468)	(11 285)	(421 382)
Foreign exchange rate changes and other changes	23 890	281	2 048	26 219
Debt on loans to legal entities, as at December 31	**662 001**	**51 598**	**122 264**	**835 863**

The Bank did not apply debt collection procedures to loans to legal entities written-off during the year ended December 31, 2022

Analysis of changes in loans to legal entities and individuals for the year ended December 31, 2021 is presented below:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2021*
Debt on loans to individuals, as at January 1				
Balance as at January 1	**435 405**	**3 132**	**10 811**	**449 348**
Transition to Stage 1	918	(382)	(536)	-
Transition to Stage 2	(5 538)	5 558	(20)	-
Transition to Stage 3	10 322	(512)	(10 834)	-
New financial assets originated or purchased	290 130	-	-	290 130
Financial assets that have been derecognized	(142 818)	(2 625)	-	(145 443)
Write-offs	-	-	(10 284)	(10 284)
Unwinding of discount	-	-	328	328
Foreign exchange rate changes and other changes	-	-	1 683	1 683
Debt on loans to individuals, as at December 31	**567 775**	**5 171**	**12 816**	**585 762**

	Stage 1	*Stage 2*	*Stage 3*	*Total 2021*
Debt on loans to legal entities, as at January 1				
Balance as at January 1	**639 146**	**27 138**	**23 940**	**690 224**
Transition to Stage 1	25 709	(6 834)	(18 875)	-
Transition to Stage 2	(7 554)	23 412	(15 858)	-
Transition to Stage 3	(8 875)	(509)	9 384	-
New financial assets originated or purchased	427 135	-	-	427 135
Financial assets that have been derecognized	(361 201)	(31 361)	-	(392 562)
Write-offs	-	-	(10 550)	(10 550)
Unwinding of discount	-	-	648	648
Foreign exchange rate changes and other changes	(11 268)	(238)	23 971	12 465
Debt on loans to legal entities, as at December 31	**703 092**	**11 608**	**12 660**	**727 360**

The allowance for impairment in the tables above includes expected credit losses on certain loan commitments to customers, such as lines of credit, credit cards, overdrafts, since the Bank can not determine the expected credit losses on the uncalled component of loan commitments separately from those related to loans already issued within the loan commitments.

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

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions – cash or securities;
- For commercial lending – pledge of real estate, inventory and accounts receivable;
- For car lending – pledge of a car.

(in thousands of Belarusian rubles)

The information about loans to customers as at December 31 in the context of collateral types is presented below. Information is based on the loans carrying amount before allowance for expected credit losses, rather than the fair value of the collateral:

	December 31, 2022	*December 31, 2021*
Real estate	392 788	442 921
Property, plant and equipment	180 758	91 324
Collateral under finance lease agreements	66 363	64 720
Goods for sale	126 877	94 597
Cash	6 310	775
Other	119 818	97 743
Unsecured	615 808	585 762
Loans to customers	**1 508 722**	**1 377 842**

Management monitors the market value of collateral, control over its availability and condition, control of compliance with the sufficiency of inventory in accordance with the concluded pledge agreements, 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.

As at December 31, 2022, 99,9% of the retail loan portfolio amounting to BYN 605 698 thousand (December 31, 2021: 100%, or BYN 585 762 thousand) is represented by unsecured loans.

As at December 31, 2022 loans secured by guarantee deposits amounted to BYN 6 310 thousand (December 31, 2021: BYN 515 thousand).

Concentration of loans to customers

As at December 31, 2022 the concentration of loans issued by the Bank to ten largest borrowers groups amounted to BYN 361 493 thousand, or 24% of gross loan portfolio. A loss allowance was created for the loans of BYN 8 260 thousand. the concentration of loans issued by the Bank to ten largest borrowers groups amounted to BYN 302 199 thousand, or 22% of gross loan portfolio. A loss allowance was created for the loans of BYN 4 315 thousand.

Structure of the loan portfolio by the types of customers is as follows:

	December 31, 2022	*December 31, 2021*
Private companies	881 456	727 492
Individuals	607 299	585 862
State organizations	19 967	64 488
Loans to customers	**1 508 722**	**1 377 842**

Loans are primarily issued to customers located within the Republic of Belarus, operating in the following industry sectors:

	December 31, 2022	*December 31, 2021*
Individuals	607 299	585 862
Wholesale and retail trade	385 160	304 494
Transportation	53 135	172 996
Manufacturing	95 116	104 360
Real estate	195 936	73 550
Food industry	11 415	52 218
Construction	62 105	6 143
Other	98 556	78 219
Loans to customers	**1 508 722**	**1 377 842**

(in thousands of Belarusian rubles)

Finance lease receivables

The Bank is a lessor under finance lease agreements. The subject of the lease are motor vehicles, industrial equipment and real estate items. The term of the lease agreement is from 12 months to 48 months for motor vehicles and up to 60 months under other lease agreements.

Subject to agreement with the Bank, the lessee is entitled to early fulfill its obligations under the lease agreement in full in advance provided that at least one year has passed from the date of actual transfer of lease item to the lessee. Upon written consent of the Bank, the lease item may be leased, subleased or transferred gratuitously provided that the legislation requirements are met. In case of early termination of the lease agreement and withdrawal by the Bank (return by the lessee) of the lease item, the lessee must apply to the relevant registration authority for introduction of amendments to information on state registration of the lease item as required.

The analysis of finance lease receivables as at December 31, 2022 is as follows:

	Up to 1 year	*From 1 to 5 years*	*Total December 31, 2022*
Gross investments in finance leases	53 113	35 296	88 409
Unearned future finance income on finance leases	(11 897)	(10 149)	(22 046)
Net investment in finance lease	**41 216**	**25 147**	**66 363**

The analysis of finance lease receivables as at December 31, 2021 is as follows:

	Up to 1 year	*From 1 to 5 years*	*Total December 31, 2021*
Gross investments in finance leases	48 775	30 571	**79 346**
Unearned future finance income on finance leases	(7 010)	(7 616)	**(14 626)**
Net investment in finance lease	**41 765**	**22 955**	**64 720**

Information on created loss allowance related to finance lease receivables for the year ended as at December 31, 2022 is presented below:

BYN thousand	*Stage 1*	*Stage 2*	*Stage 3*	*Total 2022*
Balance as at January 1	**318**	**201**	**122**	**641**
Transition to Stage 1	135	(72)	(63)	-
Transition to Stage 2	(24)	42	(18)	-
Transition to Stage 3	(72)	(56)	128	-
Net change in loss allowance	(31)	92	67	128
New financial assets originated or purchased	449	-	-	449
Financial assets that have been derecognized	(297)	(60)	(79)	(436)
Foreign exchange rate changes and other changes	14	4	5	23
Balance as at December 31	**492**	**151**	**162**	**805**

Information on created loss allowance related to finance lease receivables for the year ended December 31, 2021 is presented below:

BYN thousand	*Stage 1*	*Stage 2*	*Stage 3*	*Total 2021*
Balance as at January 1	**270**	**111**	**1 066**	**1 447**
Transition to Stage 1	628	(30)	(598)	-
Transition to Stage 2	(116)	128	(12)	-
Transition to Stage 3	(28)	(107)	135	-
Net change in loss allowance	(297)	12	56	(229)
New financial assets originated or purchased	396	-	-	396
Financial assets that have been derecognized	(530)	88	(516)	(958)
Foreign exchange rate changes and other changes	(5)	(1)	(9)	(15)

(in thousands of Belarusian rubles)

Balance as at December 31	**318**	**201**	**122**	**641**

Analysis of changes in finance lease receivables for the year ended December 31, 2022 is presented below:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Finance leases, as at January 1				
Balance as at January 1	**61 363**	**3 061**	**296**	**64 720**
Transition to Stage 1	2 100	(1 947)	(153)	-
Transition to Stage 2	(1 759)	1 804	(45)	-
Transition to Stage 3	(522)	(284)	806	-
New financial assets originated or purchased	46 432	-	-	46 432
Financial assets that have been derecognized	(44 122)	(1 575)	(586)	(46 283)
Foreign exchange rate changes and other changes	1 408	53	33	1 494
Finance leases, as at December 31	**64 900**	**1 112**	**351**	**66 363**

Analysis of changes in finance lease receivables for the year ended December 31, 2021 is presented below:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2021*
Finance leases, as at January 1				
Balance as at January 1	**50 072**	**2 488**	**2 346**	**54 906**
Transition to Stage 1	43	1 583	(1 626)	-
Transition to Stage 2	(1 983)	2 036	(53)	-
Transition to Stage 3	(68)	(235)	303	-
New financial assets originated or purchased	47 667	-	-	47 667
Financial assets that have been derecognized	(34 055)	(2 778)	(664)	(37 497)
Foreign exchange rate changes and other changes	(313)	(33)	(10)	(356)
Finance leases, as at December 31	**61 363**	**3 061**	**296**	**64 720**

9. Investment securities

Investment securities include:

	December 31, 2022	*December 31, 2021*
Debt securities measured at FVTOCI	49 947	14 059
Debt securities measured at amortized cost	29 588	-
Equity securities	968	802
Debt securities pledged under other contracts	-	25 580
Total investment securities	**80 503**	**40 441**
Net of loss allowance	**(692)**	-
Investment securities	**79 811**	**40 411**

In 2022, the securities business model was revised, as a result of which part of the securities portfolio was reclassified and recognized as measured at amortized cost. This change had no effect on the book value of the portfolio.

The Bank on its own classified investments set in the table below as equity securities measured at FVTOCI. According to the Bank’s expectations, these investments will be held in the long-term perspective in order to achieve the objectives set, which is why the Bank reclassified them into securities measured at FVTOCI.

Equity securities held by the Bank are as follows:

	Fair value as at December 31, 2022	**Fair value as at December 31, 2021**
OJSC Non-Bank Financial Institution Single Settlement and Information	880	714

(in thousands of Belarusian rubles)

Space (SSIS)		
SWIFT	88	88
Total investments in equity shares measured at FVTOCI	**968**	**802**

As at December 31, 2022 there were no financial assets pledged as collateral for funds raised from banks (Note 14). As at December 31, 2021 there were the following financial assets pledged as collateral for funds raised from banks: government long-term bonds of the Ministry of Finance of the Republic of Belarus 260 and 265 issues in the amount of 10 253 units worth BYN 25 580 thousand.

Debt securities measured at FVTOCI but not pledged are presented by the following instruments:

	December 31, 2022	*December 31, 2021*
Bonds issued by republican authorities	49 947	14 059
Total securities measured at FVTOCI	**49 947**	**14 059**
Loss allowance	(1 282)	(192)
Carrying amount is a fair value of securities measured at FVTOCI	**49 947**	**14 059**

Debt securities, measured at amortized cost are presented by the following instruments:

	December 31, 2022	*December 31, 2021*
Bonds issued by republican authorities	29 588	-
Total securities measured at amortized cost	**29 588**	**-**
Loss allowance	(692)	-
Carrying amount of securities measured at amortized cost	**28 896**	**-**

Securities measured at FVTOCI pledged under repurchase and other agreements are represented by the following instruments (Note 9):

	December 31, 2022	*December 31, 2021*
Bonds issued by republican authorities	-	25 580
Total securities measured at FVTOCI pledged under repurchase agreements and other agreements	**-**	**25 580**
Net of loss allowance	-	(422)
Securities measured at FVTOCI pledged under repurchase and other agreements	**-**	**25 580**

Movement in loss allowance of securities measured at FVTOCI for the year ended December 31, 2022, is presented below:

	Stage 1	*Total 2022*
Investment securities		
Balance as at January 1	**614**	**614**
New financial assets originated or purchased	850	**850**
Financial assets that have been derecognized	(373)	**(373)**
Net change in allowance	174	**174**
Foreign exchange rate changes and other changes	17	**17**
Balance as at December 31	**1 282**	**1 282**

The analysis of changes in ECL for the year ended December 31, 2021 is presented below:

	Stage 1	*Total 2021*
Investment securities		
Balance as at January 1	**670**	**670**
New financial assets originated or purchased	368	368
Financial assets that have been derecognized	(196)	(196)
Net change in allowance	(222)	(222)

(in thousands of Belarusian rubles)

	Stage 1	*Total 2021*
Foreign exchange rate changes and other changes	(6)	(6)
Balance as at December 31	**614**	**614**

Movement in loss allowance of securities measured at amortized cost for the year ended December 31, 2022 is presented below:

	Stage 1	*Total 2022*
Investment securities		
Balance as at January 1	-	-
New financial assets originated or purchased	161	**161**
Net change in allowance	219	**219**
Foreign exchange rate changes and other changes	310	**310**
Balance as at December 31	**690**	**690**

Change in loss allowance for securities measured at FVTOCI is related to the change in debt on securities:

	Stage 1	*Total 2022*
Debt on securities measured at FVTOCI, as at January 1		
Balance as at January 1	**39 639**	**39 639**
New financial assets originated or purchased	34 092	**34 092**
Net change in allowance	(354)	**(354)**
Financial assets that have been derecognized	(24 522)	**(24 522)**
Foreign exchange rate changes and other changes	1 092	**1 092**
Debt on securities measured at FVTOCI, as at December 31	**49 947**	**49 947**

Change in loss allowance for securities measured at amortized cost is related to the change in debt on securities:

	Stage 1	*Total 2022*
Debt on securities measured at amortized cost as at January 1		
Balance as at January 1	-	-
New financial assets originated or purchased	10 098	**10 098**
Net change in allowance	4	**4**
Financial assets that have been derecognized	-	-
Foreign exchange rate changes and other changes	19 486	**19 486**
Debt on securities measured at amortized cost as at December 31	**29 588**	**29 588**

The above-mentioned movement has been complied for the purpose of justifying a change in the value of expected credit losses during the year and does not reflect movements if the acquisition and sale of investment securities occurred within one year.

Analysis of changes in investment securities measured at FVTOCI for the year ended December 31, 2021 is presented below:

	Stage 1	*Total 2021*
Debt on securities measured at FVTOCI, as at January 1		
Balance as at January 1	**48 463**	**48 463**
New financial assets originated or purchased	24 114	24 114
Financial assets that have been derecognized	(14 177)	(14 177)
Foreign exchange rate changes and other changes	(18 761)	**(18 761)**
Debt on securities measured at amortized cost as at December 31	**39 639**	**39 639**

10. Property, plant and equipment

Movements in property, plant and equipment are as follows:

	Buildings	*Computers and office equipment*	*Vehicles*	*Furniture*	*Construction in progress*	*Right-of-use assets*	*Total*
Initial cost							
As at January 1, 2022	**28 005**	**30 341**	**658**	**15 226**	**589**	**28 889**	**103 708**

(in thousands of Belarusian rubles)

	Buildings	*Computers and office equipment*	*Vehicles*	*Furniture*	*Construction in progress*	*Right-of-use assets*	*Total*
Additions	108	509	45	1 594	-	8 167	**10 423**
Disposal	(92)	(510)	(81)	(1 162)	-	(23 285)	**(25 130)**
Contract modification	-	-	-	-	-	(15)	**(15)**
Transfers	(919)	(67)	101	(356)	1 241	-	**-**
Revaluation	(1 061)	-	-	-	-	-	(1 061)
As at December 31, 2022	**26 041**	**30 273**	**723**	**15 302**	**1 830**	**13 756**	**87 925**
Accumulated depreciation							
As at January 1, 2022	**(1 068)**	**(20 954)**	**(475)**	**(10 426)**	**-**	**(20 644)**	**(53 567)**
Accrued depreciation	(611)	(2 337)	(41)	(703)	-	(5 739)	(9 431)
Disposal	89	473	84	1 013	-	18 072	19 731
Transfers	160	(19)	(50)	(91)	-	-	-
Revaluation	24	-	-	-	-	-	24
As at December 31, 2022	**(1 406)**	**(22 837)**	**(482)**	**(10 207)**	**-**	**(8 311)**	**(43 243)**
Net carrying amount							
As at January 1, 2022	**26 936**	**9 388**	**183**	**4 800**	**589**	**8 245**	**50 141**
As at December 31, 2022	**24 635**	**7 436**	**241**	**5 095**	**1 830**	**5 445**	**44 682**
Initial cost							
As at January 1, 2021	**4 346**	**22 506**	**663**	**9 833**	**1 012**	**23 481**	**61 841**
Additions	-	2 115	-	1 151	-	7 586	10 852
Additions from business combinations	24 631	6 190	167	7 908	-	-	38 896
Disposal	(760)	(198)	(353)	(3 996)	-	(2 178)	**(7 485)**
Transfer	184	(272)	181	330	(423)	-	**-**
Impairment loss	(396)	-	-	-	-	-	**(396)**
As at December 31, 2021	**28 005**	**30 342**	**658**	**15 226**	**589**	**28 889**	**103 708**
Accumulated depreciation							
As at January 1, 2021	**(1 020)**	**(13 000)**	**(564)**	**(6 484)**	**-**	**(14 040)**	**(35 108)**
Accrued depreciation	(302)	(3 786)	(106)	(550)	-	(8 537)	**(13 281)**
Additions from business combinations	(17)	(4 361)	(136)	(3 954)	-	-	**(8 468)**
Disposal	270	194	332	562	-	1 933	**3 290**
Transfers	25	108	-	(133)	-	-	**-**
As at December 31, 2021	**(1 068)**	**(20 954)**	**(475)**	**(10 426)**	**-**	**(20 644)**	**(53 567)**
Net carrying amount							
As at January 1, 2021	**3 326**	**9 506**	**99**	**3 349**	**1 012**	**9 441**	**26 733**
As at December 31, 2021	**26 936**	**9 388**	**183**	**4 800**	**589**	**8 245**	**50 141**

As at December 31, 2022 and 2021 2020 the cost of fully depreciated property and equipment made up BYN 18 367 thousand and BYN 20 191 thousand respectively. As at December 31, 2022 an independent valuation of office premises was carried out, as a result of which an impairment in the amount of BYN 1 089 thousand was revealed, as well as an additional valuation of property, plant and equipment in the amount of BYN 52 thousand.

If the valuation of office space was carried out using the historical cost accounting model, the book value indicators would be as follows:

(in thousands of Belarusian rubles)

	2022	2021
Initial cost	27 574	27 574
Accumulated depreciation and impairment	(896)	(621)
Net book value	**26 678**	**26 953**

11. Intangible assets

Movements in intangible assets are as follows:

	December 31, 2022	*December 31, 2021*
Cost		
As at January 1	**58 841**	**43 959**
Additions	15 484	14 864
Additions from business combinations	-	4 215
Disposal	(1 179)	(4 197)
As at December 31	**73 146**	**58 841**
Accumulated depreciation		
As at January 1	**(25 015)**	**(18 769)**
Accrued depreciation	(12 228)	(7 903)
Additions from business combination amortization	-	(1 986)
Disposal	147	3 643
As at December 31	**(37 096)**	**(25 015)**
Net carrying amount		
As at January 1	**33 826**	**25 190**
As at December 31	**36 050**	**33 826**

As at December 31, 2022 and 2021 the cost of fully amortized intangible assets amounted to BYN 8 643 thousand and BYN 4 437 thousand respectively.

The Bank's intangible assets are mainly represented by software used in banking (accounting systems, software for processing systems and business lines), and license agreements for its use.

12. Taxation

Income tax expenses comprise:

	Total 2022	*Total 2021*
Current income tax expenses	30 471	22 907
Deferred tax income/(expense)− origination and reversal of temporary differences	8 251	(1 274)
Income tax expenses	**38 722**	**21 633**

Belarusian legal entities are obliged to calculate and pay taxes by themselves. The income tax rate for banks is set at 25% from January 1, 2015, excluding income from transactions with securities that are not taken into account when determining gross profit in accordance with the Tax Code of the Republic of Belarus.

As at December 31, 2022 and 2021 he Bank calculates deferred tax assets and liabilities using 25% tax rate.

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

	Total 2022	*Total 2021*
Income before tax	**150 104**	**107 542**
Statutory tax rate	25%	25%
Theoretical income tax expense at the statutory rate	**37 526**	**26 886**

(in thousands of Belarusian rubles)

Income tax benefit on securities	(1 052)	(800)
Effect of expenses not taken into account in taxation	1 334	596
Effect of income from the acquisition of a business	-	(6 943)
Other	914	1 894
Income tax expenses	**38 722**	**21 633**

Deferred tax assets and liabilities as at December 31, and their movements for the respective years are presented in the table below:

	December 31, 2020	***Origination and reversal of temporary differences in the statement of profit or loss***	***December 31, 2021***	***Origination and reversal of temporary differences in the statement of profit or loss***	***December 31, 2022***
Tax effect of deductible temporary differences					
Cash and cash equivalents	**-**	-	**-**	-	**-**
Derivative financial liabilities	**64**	(34)	**30**	(30)	**-**
Investment securities	**-**	-	**-**	173	**173**
Loans to customers	**-**	2 420	**2 420**	(2 420)	**-**
Property, plant and equipment	**6 131**	(5 304)	**827**	436	**1 263**
Intangible assets	**121**	(121)	**-**	343	**343**
Assets held for sale	**-**	-	**-**	-	**-**
Due to customers	**31**	214	**245**	30	**275**
Other assets	**1 238**	(1 238)	**-**	-	**-**
Other liabilities	**1 350**	1 963	**3 313**	1 635	**4 948**
Tax effect of taxable temporary differences					
Cash and cash equivalents	**(10)**	(210)	**(220)**	(1 388)	**(1 608)**
Due from credit and financial institutions	**(93)**	(28)	**(121)**	(1 351)	**(1 472)**
Derivative financial assets	**(13)**	(12)	**(25)**	25	**-**
Loans to customers	**(16 006)**	(1 482)	**(17 488)**	(6 958)	**(24 446)**
Investment securities	**(2)**	-	**(2)**	-	**(2)**
Intangible assets	**-**	(129)	**(129)**	129	**-**
Due to credit institutions	**(254)**	106	**(148)**	148	**-**
Other assets	**-**	(2 246)	**(2 246)**	1 393	**(853)**
Debt securities issued	**(63)**	(103)	**(166)**	166	**-**
Other borrowings	**(20)**	20	**-**	-	**-**
Other liabilities	**(5 282)**	4 525	**(757)**	(624)	**(1 381)**
Subordinated debt	**(81)**	27	**(54)**	29	**(25)**
Net deferred tax liabilities	**(12 889)**	(1 632)	**(14 521)**	**(8 264)**	**(22 785)**

13. Other assets and liabilities

Other assets include:

	December 31, 2022	***December 31, 2021***
Accrued fee and commission income	1 617	4 103
Receivables	1 145	415
Banking operations receivables	319	176
Total financial assets	**3 081**	**4 694**
Prepayments and other debtors	10 082	4 992
Inventory	4 287	2 072
Prepaid taxes, other than income tax	3 130	3 064
Assets held for sale	-	432
Total non-financial assets	**17 499**	**10 560**

(in thousands of Belarusian rubles)

Net of loss allowance for other financial assets	(428)	(1 734)
Other financial assets less allowance	**2 653**	**2 960**
Other assets	**20 152**	**13 520**

As at December 31, 2022 prepayments and other debtors include prepayment for property, plant and equipment in the amount of BYN 7 777 thousand (2021: BYN 3 682 thousand).

Other liabilities include:

	December 31, 2022	***December 31, 2021***
Payables to suppliers (contractors)	6 726	1 349
Banking operations payables	5 818	514
Operating lease liabilities	4 982	7 855
Accrued liabilities on loyalty programs	2 660	2 157
Accrued fee and commission expenses	731	17
Allowance for ECL on contingent liabilities (Note 20)	265	139
Payables on property, plant and equipment and intangible assets	204	422
Other	422	913
Total financial liabilities	**21 808**	**13 366**
Tax payable, other than income tax	4 366	4 492
Staff liabilities	5 833	3 961
Deferred revenue on annual card service commission	9 460	2 730
Payables to Deposit Insurance Agency	287	732
Deferred income	36	80
Total non-financial liabilities	**19 982**	**11 995**
Other liabilities	**41 790**	**25 361**

Movement in loss allowance for other financial assets for 2022 is presented below:

	Stage 1	***Stage 2***	***Stage 3***	***Total 2022***
Loss allowance for other assets as at January 1	**-**	**-**	**1 734**	**1 734**
Transition to Stage 2	(2 002)	2 002	-	-
Transition to Stage 3	-	(2 002)	2 002	-
Net change in loss allowance	-	-	4 768	**4 768**
New financial assets originated or purchased	2 002			**2 002**
Financial assets that have been derecognized	-	-	-	**-**
Write-offs	-	-	(8 076)	**(8 076)**
Loss allowance for other assets as at December 31	**-**	**-**	**428**	**428**

Movement in loss allowance for other financial assets for 2021 is presented below:

	Stage 1	***Stage 2***	***Stage 3***	***Total 2021***
Loss allowance for other assets as at January 1	**-**	**-**	**204**	**204**
Transition to Stage 2	(133)	133	-	-
Transition to Stage 3		(133)	133	-
Additions from business combination	-	-	7 855	7 855
New financial assets originated or purchased	133	-	-	133
Net change in loss allowance	-	-	1 552	1 552
Financial assets that have been derecognized	-	-	(22)	(22)
Write-offs			(7 855)	(7 855)
Loss allowance for other assets as at December 31	**-**	**-**	**1 734**	**1 734**

The change in loss allowance for other financial assets is caused by change in the balance for which the allowance is formed as at 2022:

Stage 1	***Stage 3***	***Total 2022***

(in thousands of Belarusian rubles)

		Stage 2		
Debt for other financial assets as at January 1				
Balance as at January 1	**926**	**-**	**3 768**	**4 692**
Transition to Stage 2	(4 812)	4 812	-	-
Transition to Stage 3		(4 812)	4 812	-
New financial assets originated or purchased	6 487	-	-	6 487
Financial assets that have been derecognized	(24)	-	-	(24)
Write-offs	-	-	(8 076)	(8 076)
Debt for other financial assets as at December 31	**2 577**	**-**	**504**	**3 081**

Movement in debt for which the allowance is formed in 2021 is presented below:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2021*
Debt for other financial assets as at January 1				
Balance as at January 1	**806**	**-**	**284**	**1 090**
Transition to Stage 2	(2 364)	2 364	-	-
Transition to Stage 3		(2 364)	2 364	-
New financial assets originated or purchased	3 290	-	-	3 290
Additions from business combination	-	-	7 855	7 855
Financial assets that have been derecognized	(806)	-	(198)	(1 004)
Write-offs	-	-	(7 855)	(7 855)
Foreign exchange rate changes and other changes	-	-	1 318	1 318
Debt for other financial assets as at December 31	**926**	**-**	**3 768**	**4 694**

The above-mentioned movement has been complied for the purpose of justifying a change in the value of expected credit losses during the year and does not reflect movements if the origination and repayment of debt on other financial assets has occurred during the year.

Below there is the carrying amount of the lease liabilities and the movement during the period:

	2022	*2021*
As at January 1	**7 855**	**11 907**
Modification effect	(15)	6 214
Additions	8 691	1 015
Interest accrued	383	489
Early termination of agreements	(5 341)	(184)
Revaluation of foreign currency agreements	(933)	(1 081)
Payments	(5 658)	(10 505)
As at December 31	**4 982**	**7 855**

In 2022, the total cash outflow under the Bank's lease agreements amounted to BYN 9 810 thousand (2021: BYN 13 971 thousand). In 2022, the Bank also had non-cash additions of right-of-use assets and lease liabilities in the amount of BYN 8 151 thousand (2021: BYN 7 586 thousand).

14. Due to credit institutions

Due to credit institutions include:

	December 31, 2022	*December 31, 2021*
Term deposits and loans from local banks	54 810	60 723
Term deposits from the National Bank of the Republic of Belarus	-	25 094
Term deposits and loans from foreign banks	-	781
Current accounts	638	526
Due to credit institutions	**55 448**	**87 124**

(in thousands of Belarusian rubles)

As at December 31, 2022 due to credit institutions of BYN 37 135 thousand (67%) were due to two banks.

As at December 31, 2021 due to credit institutions of BYN 55 528 thousand (64%) were due to two banks.

As at December 31, 2022 and December 31, 2021 there were no funds raised under REPO agreements for which the Bank's securities were pledged as collateral (Note 9).

15. Due to customers

Due to customers include:

	December 31, 2022	*December 31, 2021*
Term deposits	742 115	893 666
Current customer accounts	742 777	441 778
Due to customers	**1 484 892**	**1 335 444**
Including cash held as security under the letters of credit	**-**	**837**

Term deposits include deposits held by the Bank as security under irrevocable letters of credit. The Bank is obliged to repay the deposits upon expiry of the respective letters of credit.

As at December 31, 2022 due to customers in the amount of BYN 346 552 thousand (23 %) were represented by due to ten largest customers (2021: BYN 332 573 thousand (25%)). As at December 31, 2022 the amount of debt on guarantee deposit of the largest of the above mentioned clients (group of related clients) was BYN 45 383 thousand (December 31, 2021: BYN 42 260 thousand) and served as collateral for the loan (Note 8).

In 2022, term deposits include deposits of individuals in the amount of BYN 211 732 thousand (2021: BYN 305 728 thousand).

Due to customers include the accounts of the following categories of clients:

	December 31, 2022	*December 31, 2021*
Private companies	863 201	770 706
Individuals	547 895	493 442
State organizations	73 796	71 296
Due to customers	**1 484 892**	**1 335 444**

Breakdown of customer accounts by economic sectors is as follows:

	December 31, 2022	*December 31, 2021*
Individuals	547 895	493 401
Trade	286 083	295 869
Manufacturing	129 296	87 755
Real estate	62 130	138 620
Transportation	58 777	39 828
Software development and information technologies	51 926	36 243
Construction	39 165	32 684
Individual entrepreneurs	34 908	29 569
Research and development	30 003	44 470
Entertainment	28 864	19 369
Financial services	15 690	9 322
Printing	14 568	5 255
Insurance	10 082	3 696
Other	175 505	99 353
Due to customers	**1 484 892**	**1 335 444**

16. Debt securities issued

Debt securities issued are primarily placed through non-public sales and comprise the following:

(in thousands of Belarusian rubles)

	December 31, 2022	**Maturity**	**Effective interest rate**	**December 31, 2021**	**Maturity**	**Effective interest rate**
Interest bearing bonds in BYN	50 319	2023-202	10,00-10,25%	47 783	2022-202	9,95-13,03%
Interest bearing bonds in USD	1 665	202	1,25-5,50%	2 672	202	2,20-5,60%
Interest bearing bonds in EUR	633	202	5,50%	7 662	202	4,11-5,60%
Debt securities issued	**52 617**			**58 117**		

Interest bearing bonds in BYN include securities issues in 2017 - 2022.

As at December 31, 2022 and 2021 the Bank fully fulfilled obligations on securities issued in a timely manner.

17. Subordinated debt

Subordinated debt includes:

	Attraction date	**Maturity**	***Interest rate***	***December 31, 2022***	***December 31, 2021***
Subordinated loan 1 in USD	2010	2028	6,0%	12 586	11 719
Subordinated loan 2 in USD	2010	2028	6,0%	13 066	12 167
Subordinated loan 3 in BYN	2014	2023	5,0%	330	291
Subordinated loan 4 in BYN	2014	2023	5,0%	745	670
Subordinated loan 5 in USD	2015	2030	4,3%	5 473	5 096
Subordinated loan 6 in USD	2015	2025	6,0%	2 736	2 548
Subordinated loan 7 in USD	2022	2032	5,87%	13 682	-
Subordinated debt				**48 618**	**32 491**

As at December 31, 2022 and 2021 the Bank timely and fully fulfilled its obligations on subordinated debt.

18. Share capital

As at December 31, 2022 the authorized, issued and paid share capital of the Bank amounted to 168 201 ordinary shares (as at December 31, 2021: 168 201 ordinary shares) with a par value of BYN 390.00 each. All shares have the same par value and carry one vote. As at December 31, 2022, 1 (one) share was repurchased and held by the Bank.

In 2022, there was no movement in issued, fully paid and outstanding shares, the equity structure is presented below. In 2022, based on the decision dated 11.04.2022 of the Oktyabrsky District Court of Minsk, the Bank transferred ownership of a share owned by the Soyuzobschemashbank (RF), which was a shareholder of CJSC "Idea Bank", reorganized in 2021 as a result of joining CJSC "MTBank".

	Number of ordinary shares	***Par value of ordinary shares***	***Adjustment for inflation***	***Total***
As at December 31, 2022	168 201	65 598	44 828	**110 426**
As at December 31, 2021	168 201	65 598	44 828	**110 426**

In 2022 part of accumulated earnings was distributed as dividends. Dividends amounted to BYN 15 480 thousand. The accumulated earnings were not distributed as dividends in 2021.

In accordance with Belarusian legislation, only accumulated retained and unreserved earnings may be distributed between the Bank's shareholders as dividends according to the Bank's financial statements prepared in accordance with the legislation of the Republic of Belarus. As at December 31, 2022 the Bank had retained and unreserved earnings in the amount of BYN 157 980 thousand (2021: BYN 120 039 thousand).

19. Contractual and contingent liabilities

(in thousands of Belarusian rubles)

Legal issues

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

Taxation

The taxation system in the Republic of Belarus is characterized by complexity and frequent changes in legislation, official pronouncements and authorities’ decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. In addition, there is no extensive court practice in the Republic of Belarus on tax issues.

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

Tax, currency and customs legislation of the Republic of Belarus is subject to frequent changes and varying interpretations. Management’s interpretation of such legislation regarding the Bank transactions and operations may be challenged by the relevant authorities. As a result, significant additional taxes, penalties and fines may be assessed. Tax reviews can cover significant time periods.

The Management believes that its interpretation of the relevant legislation is appropriate and that the Bank’s tax, currency and customs issues will be sustained.

Insurance

The Bank has not currently obtained insurance coverage related to liabilities arising from errors or omissions. Currently public liability insurance is not available in the Republic of Belarus. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have an adverse effect on the Bank’s operations and financial position.

20. Contingent credit related liabilities

As at December 31, 2022 and 2021 the Bank’s contractual and contingent liabilities comprised:

	December 31, 2022	*December 31, 2021*
Credit related liabilities		
Loan commitments	888 384	720 773
Guarantees	21 962	55 612
Letters of credit	-	838
	910 346	**777 223**
Cash held as security under the letters of credit (Note 17)	-	(837)
Allowance for ECL	(265)	(139)
Commitments and contingencies less collateral under letters of credit	**910 081**	**776 247**

In accordance with the Bank’s adopted accounting policy (Note 3), loss allowance on certain loan commitments, such as credit cards, overdrafts, are included in the loss allowance on loans to customers (Note 8), since the Bank can not determine the expected credit losses on an uncalled component of loan commitments separately from those related to loans already issued within the loan commitments. According to the loan agreements, the Bank retains the right to unilaterally withdraw from its loan commitments.

The movement of loss allowance on financial guarantees and unsecured letters of credit as at 2022 is set in the table below:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2022*
Loss allowance as at January 1	**134**	**5**	**-**	**139**
Transition to Stage 1	3	(3)	-	-
Transition to Stage 2	(1)	1	-	-

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Net change in loss allowance	40	104	-	144
New financial assets originated or purchased	84	-	-	84
Derecognition	(99)	(4)	-	(103)
Foreign exchange rate changes and other changes	1	-	-	1
Loss allowance as at December 31	**162**	**103**	**-**	**265**

The movement of loss allowance on financial guarantees and unsecured letters of credit as at 2021 is set in the table below:

	Stage 1	*Stage 2*	*Stage 3*	*Total 2021*
Loss allowance as at January 1	**25**	**5**	**-**	**30**
Transition to Stage 2	1	(1)	-	-
Net change in loss allowance	50	1	-	51
New financial assets originated or purchased	78	-	-	78
Derecognition	(20)	-	-	20
Loss allowance as at December 31	**134**	**5**	**-**	**139**

21. Net gain from foreign currency transactions

	Total 2022	*Total 2021*
Trade operations	74 849	31 321
Revaluation of currency accounts	9 270	(288)
Income (expenses) on derivative financial instruments transactions	22	1 314
Net gain from foreign currency transactions	**84 141**	**32 348**

22. Net fee and commission income

	Total 2022	*Total 2021*
Commission on transactions with payment cards	100 060	86 243
Settlement and cash services	23 545	28 227
Documentary operations	1 126	2 496
Securities	466	273
Other	7 207	6 032
Fee and commission income	**132 404**	**123 271**
Commission on transactions with payment cards	(63 363)	(58 817)
Transactions with banks	(9 328)	(7 039)
Documentary operations	(97)	(675)
Foreign exchange transactions	(662)	(588)
Securities	(224)	(191)
Other	(3 263)	(2 860)
Fee and commission expenses	**(76 937)**	**(70 170)**
Net fee and commission income	**55 467**	**53 101**

The aforementioned fee and commission income represents revenue from contracts with customers in the scope of IFRS 15, detailed by main types of fee and commission income.

Fee and commission income includes income in the amount of BYN 101 652 thousand (2021: BYN 89 012 thousand) and expense in the amount of BYN 63 684 thousand (2021: BYN 59 683 thousand), related to financial assets and financial liabilities other than measured at fair value through profit or loss. These amounts exclude amounts taken into account when determining the effective interest rate on such financial assets and financial liabilities.

(in thousands of Belarusian rubles)

Contractual assets and liabilities

The following table shows information on receivables and liabilities on contracts with customers.

BYN thousand	December 31, 2022	December 31, 2021
Contract assets included in “Other assets”	4 062	4 992
Receivables included in “Other assets”	3 081	4 694
Contract liabilities included in the "Other liabilities"	(9 460)	(2 730)

Contract assets are represented mainly by debt on settlements for capital investments, as well as on settlements with suppliers and contractors. Contract obligations mainly relate to non-refundable amounts of prepaid fees received from customers for annual card services (Note 13). Revenue recognition is carried out throughout the year during which the customer is expected to continue to use plastic cards.

Performance obligations and revenue recognition policy

Fee and commission income under contracts with clients are estimated on the basis of the compensation specified in the contract. The Bank recognizes revenue when it transfers control of the service to the customer.

The following table contains information on the nature and timing of the obligations to be fulfilled under contracts with customers, including significant payment terms and the relevant accounting policies for revenue recognition.

Type of service	The nature and timing of the performance of obligations to the execution, including the essential terms of payment	Revenue recognition in accordance with IFRS 15
Retail and Corporate Banking Services	The Bank provides banking services to retail and corporate clients, including services for the maintenance of accounts, the provision of overdrafts, foreign currency transactions, the processing and issuance of credit cards and the maintenance of accounts. 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 and the provision of overdrafts is charged by debiting the corresponding amounts from the client’s account at the time of 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 operation is recognized at the time of the transaction.
Investment Banking Services	The Bank provides services related to the implementation of client operations with currency and the underwriting of securities. Remuneration for transactions and underwriting of securities is charged at the time of the transaction.	Due to customers as at December 31 are recognized as trade receivables. Remuneration for transactions is recognized at the time of the relevant transactions.

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23. Other income

	Total 2022	*Total 2021*
Proceeds from debt previously written-off	13 948	12 780
Other income under contracts with partners	4 769	535
Fines and penalties received	1 794	1 384
Net income on operations with non-deliverable OTC financial instruments	1 684	956
Rent revenue	799	1 159
Net (expense)/income from sale of property, plant and equipment, intangible assets	(585)	(2 214)
Other	2 623	840
Total other income	**25 032**	**15 440**

24. Personnel and other operating expenses

Personnel and other operating expenses include:

	Total 2022	*Total 2021*
Payroll and bonuses	(52 319)	(44 931)
Social security contributions	(16 625)	(14 071)
Remuneration to the members of Supervisory Board	(1 160)	(780)
Other personnel expenses	(1 787)	(1 230)
Personnel expenses	**(71 891)**	**(61 012)**
Expenses on maintenance of banking software	(14 656)	(13 565)
Telecommunication services	(5 651)	(4 478)
Lease payments	(4 152)	(3 466)
Utilities	(3 799)	(3 350)
Marketing and advertising	(3 572)	(5 513)
Expenses on bank plastic cards	(3 081)	(924)
Mail and courier expenses	(2 268)	(2 905)
Professional services	(2 091)	(1 876)
Payments to the Deposit Refund Agency	(2 067)	(2 713)
Taxes, other than income tax	(1 492)	(573)
Repair and maintenance of property, plant and equipment	(1 401)	(1 264)
Stationery and other office expenses	(1 163)	(731)
Security expenses	(806)	(901)
Repair and maintenance of vehicles and fuel expenses	(426)	(596)
Entertainment expenses	(131)	(336)
Other expenses	(5 935)	(4 246)
Other operating expenses	**(52 691)**	**(47 439)**

For the year ended December 31, 2022, the Bank recognized the following short-term lease expenses of BYN 4 152 thousand (2021: BYN 3 466 thousand).

25. Risk management

Introduction

The Bank identifies the main risks arising in the course of its activities, the sources of their occurrence and manages these risks, taking into account their materiality.
Risk is inherent in the Bank’s activities but it is managed through a process of ongoing identification, assessment and monitoring and setting risk limits and other internal controls.

Risk management structure

The risk management system has a four level organizational structure, which includes:

Level 1 – the Bank’s collegial management bodies;
Level 2 – risk management officer;

(in thousands of Belarusian rubles)

Level 3 – the Bank’s risk management and analytical divisions;
Level 4 – internal control and internal audit departments;
Level 5 – risk owners.

Supervisory Board

The Supervisory Board of the Bank ensures the organization of the corporate governance system, the effective functioning of the risk management system, the internal control system (including compliance control) and the remuneration and compensation system in the Bank, the exclusion of conflicts of interest in the Bank's activities and the conditions for its occurrence, including the adoption of measures to ensure transparency of corporate governance of the Bank, approves local legal acts defining the risk management strategy of the Bank, tolerance, risk appetite and a system of key indicators for the risks inherent in the Bank, the strategy of organizing and implementing internal control in the Bank, the strategy of organizing the corporate governance system, the strategy of managing the Bank's unserviceable assets, the Bank's policy regarding conflicts of interest, the Bank's compliance policy.

Risk Committee

The Risk Committee: performs internal monitoring of the implementation of the Supervisory Board strategy and decisions on the risk profile and risk tolerance; evaluates the effectiveness of the risk management system in the bank; decision making regarding risks within the authority defined by the Supervisory Board; submits for consideration of the Supervisory Board its recommendations on risk management issues; regularly reporting and submission to the Supervisory Board on the state of the risk management system and on the level of the Bank’s risks.

Management Board

Ensures effective risk management system operating in the Bank in accordance with the regulation of the National Bank on organization of the risk management system in banks and the risk management strategy of the Bank approved by the Supervisory Board.

Financial Committee

The main functions are:

- Operational management of the Bank's financial assets and liabilities;
- Decision-making on issues related to management of the Bank’s liquidity risk, bank portfolio interest risk, market risks, country risk, risk of financial sustainability, credit risk and concentration risk (regarding transactions with banks, other financial institutions, insurance companies);
- Maximization of the Bank’s profitability taking into account risks;
- Development of relevant assumptions and initiating issues to be considered by the Management Board.

Credit Committee

The Credit Committee is responsible for making optimal decisions related to the Bank’s active transactions under its authority.

Person responsible for risk management in the Bank

The functions of the person responsible for risk management in the Bank include: organization of the risk management system in the Bank, including the organization of the development and execution of the work plan for the development of the risk management system; coordination of the activities of participants in the risk management process, monitoring the performance of tasks and functions in the field of risk management by the Bank's divisions; ensuring the compilation and communication to the management bodies of the Bank risk reporting, issuing analytical conclusions and recommendations based on its results; ensuring the development of the Bank's local legal acts projects in the field of risk management, as well as amendments and additions to them; ensuring the expertise of local legal acts projects regulating the Bank's business processes and products, as well as amendments and additions to them, in terms of risk management issues; monitoring the effective use of the budget for the development of the risk management system.

(in thousands of Belarusian rubles)

Risk management departments

The main tasks of risk management departments are:

- Implementation of information and analytical support of the Bank's management for making management decisions;
- Development and annual verification of local legal acts regulating risk management processes in the Bank;
- Monitoring and control of the level of risks;
- Development of risk management measures.

Internal Control and Internal Audit Departments

The main task of the internal control department is to assess the sufficiency of control procedures based on the results of thematic inspections.

The main task of the internal audit department is to assess the quality of the organization of the corporate governance system, risk management and internal control of the Bank based on the results of the audits.

Risk owners

The main functions of risk owners are:

- Implementation of information and analytical support of the Bank's management for making management decisions;
- Participation in planning and ensuring the implementation of completed planned and controlled indicators (indicators of volume, price, structure, restrictions on risk);
- Development and implementation of measures to achieve strategic targets;
- Development and implementation of measures aimed at limiting the level of risks;
- Development and justification of the Bank's pricing and tariff policy;
- Participation in the development of local legal acts regulating risk management processes in the Bank;
- Determination of the list of risks inherent in the business processes assigned to them;
- Making managerial decisions within the scope of the powers granted.

Credit risk management (CRM)

The main objectives of the CRM are:

- Monitoring and quality management of the corporate and retail loan portfolio in order to maintain a safe and acceptable level of credit risk that ensures maximum profitability for the Bank;
- Providing the Bank's management and shareholders with the necessary analytical and statistical information on the risk profile of the Bank's corporate and retail loan portfolio; methodological support of the credit risk management process, assessment of the creditworthiness of clients of legal entities and individuals (including individual entrepreneurs);
- Calculation of the amount of loss allowances for expected credit losses on financial instruments of legal entities and individuals in accordance with IFRS 9 – Financial Instruments;
- Improving the objectivity of the value judgments of the Bank's credit and other services involved in the preparation of documents for the adoption by authorized bodies/persons of decisions on the conclusion (refusal to conclude) credit transactions and/or amendments to existing credit transactions.

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Financial and economic department (FED)

FED is responsible for:
- Analysis and planning of the Bank's activities, organization of the process of strategic planning and budgeting in the Bank;
- Financial control of the Bank's activities in accordance with the Regulations for the management of operating expenses and investments in property and equipment and intangible assets;
- Preparation of management reporting in accordance with the Regulation on Management Accounting;
- Optimization of the Bank's activities within the limits imposed by the implementation of prudential regulatory requirements established by the National Bank of the Republic of Belarus, preparation and submission of prudential reporting to the National Bank of the Republic of Belarus;
- Preparation of financial statements in accordance with international financial reporting standards (IFRS), compliance with the requirements established by the contracts with financial institutions, provision of information at the request of financial institutions;
- Organization and coordination on the issues of attracting and processing subordinated transactions in compliance with the requirements of the legislation when concluding contracts for subordinated loans;
- Implementation of preliminary, current and subsequent control in accordance with the established procedure, including the conduct of scheduled follow-up inspections in accordance with the approved plans, current legislation and the Bank's local legal acts.

Internal Audit Department

- Assesses in the course of revisions the effectiveness of the internal control system, including the revision of internal control procedures by line of business; the effectiveness of the risk management system, including the revision of the application completeness and correctness of the methodology for assessing banking risks, banking risk management procedures;
- Identifies a conflict of interests in the Bank, the spheres and conditions of its occurrence and assesses the effectiveness of the measures taken by the Bank to eliminate them;
- Checks the effectiveness of the measures taken to correct the identified violations and deficiencies in the Bank's activities, including in the organization of areas of activity, internal control and risk management, and the implementation of recommendations for their improvement;
- Makes its proposals to improve the efficiency of the Bank activity, including internal control, risk management.

Other departments

- Participate in the planning and maintain the planned and controlled indicators (indicators of volume, price, structure, risk limits);
- Make management decisions within the framework of the authorities granted.

System of risk evaluation and communication

The Bank’s risk management is based on requirements of the National Bank of the Republic of Belarus and the Basel Committee on Banking Supervision.
The Bank developed a hierarchical system of local legal acts, including high-level documents – Risk Management Strategy and Risk Management Policies, as well as local legal acts in regard to managing certain types of risks and those managing the organizational structure and distribution of the employees’ authorities by risk management. The abovementioned local legal acts define risk management goals, objectives, principles, identify key risk indicators, the Bank's tolerance to inherent risks, risks identification, monitoring, controlling and limiting, the functions of business units, the authorities of the Bank’s employees to manage the risks inherent in the Bank.

The Bank identifies the following risks as significant at this development stage and within the current economic environment:
- Strategic risk;
- Credit risk (including country risk within the framework of transactions with counterparty banks);
- Liquidity risk;
- Operational risk;

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- Reputation risk;
- Market risk (as part of currency and commodity risk);
- Interest rate risk of the banking portfolio;
- Concentration risk;
- Financial sustainability risk.

These types of risks have a permanent nature, significant share in the Bank's risk profile and represent a threat to the implementation of the profit plan. The Bank's risk management policy is presented below.

Strategic risk - the probability of losses, loss of planned revenues due to errors (weaknesses) made when making decisions that define the strategy of activities and development of the Bank (strategic management) and which coming to neglect or insufficient accounting of possible dangers that may threaten the Bank activities, incorrect or insufficiently reasonable definition of perspective directions of activities in which the Bank may achieve competitive advantages, absence or incomplete provision of the required resources (financial, material and technical, human) and organizational measures (management decisions), which should ensure the achievement of the objectives of the Bank.

The main rules for risk management are monitoring of the fulfillment of the main parameters and goals determined by the Strategic Plan (Strategy) of the Bank's development, factor analysis of the implementation of the strategic plan, analysis of the macroeconomic conditions of the Bank's activities, adjustment of the strategic plan if objectively necessary, or even change of the goals and directions of the Bank's strategic development.

Risk prevention measures include adherence to a given tolerance for strategic risk and other risks inherent in the Bank's activities, the development of a risk management system, and the availability of strategic projects aimed at developing the Bank's business and its infrastructure.

Measures to recover from losses may include correction of the Bank's activities based on the results of the analysis of macroeconomic conditions of the Bank, factor analysis of the strategic plan implementation, the use of measures that stimulate the implementation of the planned budget indicators, the strategic plan, strategic projects.

Financial sustainability risk – the risk of a lack of adequacy of regulatory capital to cover the main types of risks assumed by the Bank.

The main and only rule for managing this type of risk is to limit the risk appetite, i.e. the degree of risk that the Bank considers acceptable when achieving its goals.

Risk prevention measures are taken based on the results of prospective factor analysis (forecast, stress testing) of changes in the level of regulatory capital adequacy. These measures may include the reduction of the rate of the asset growth exposed to credit risk, the loan portfolio, management of the portfolio of the assets that form an increased level of requirements for the level of required capital, reduction of the magnitude of market risks, improvement of the quality of the loan portfolio, replenishment of the Bank's share capital.

Measures to correct the adequacy of regulatory capital are determined based on the results of retrospective factor analysis of changes in its level. These measures may represent a change in the size and/or structure of the loan portfolio, the magnitude of market risks, a change in the parameters of the assets to exclude increased requirements for the level of required capital (including, for example, a decrease in interest rates on previously issued loans (with an excess of the rate of the level of the calculated value of the standard risk to a level not exceeding calculated value of the standard risk), collection of problem debts, changes in the share or regulatory capital of the Bank.

Credit risk – the risk of the Bank's losses, non-receipt of planned income due to non-performance, delayed or incomplete performance of the debtor's financial and other property obligations to the Bank in accordance with the terms of the contract or the legislation.

(in thousands of Belarusian rubles)

Main rules of risk management:

- In case of secured lending, the financial reliability of the client is assessed by the degree of its creditworthiness;
- In case of unsecured lending, the financial reliability of the client is assessed by the degree of its solvency;
- The larger the loan, the stricter the requirements for the financial reliability of the borrower;
- The reliability of investment in large loan transactions is evaluated on an individual basis according to the conclusion of underwriter on the financial reliability of the client, massive and small types of loan transactions are assessed based on the results of scoring of the creditworthiness of the borrower or in accordance with a fully formalized rules of borrower's creditworthiness analysis and making decisions on financing (product delivery) within the certain banking products;
- The project on issue of foreign currency loan to a corporate client is obligatory subject to stress testing of currency risk;
- Changes in the Bank's Credit Policy in the field of lending to corporate clients, local legal acts, regulating the categorization of debtors, maintenance of the groups of related debtors are introduced after preliminary consideration of their revision by the Risk Committee of the Bank's Supervisory Board;
- Changes in the approaches, algorithms and methods used by the Bank for assessing the financial position, solvency of borrowers - corporate clients, vulnerability to the factor of currency risk, approaches to assessing and monitoring collateral are carried out with their preliminary consideration by the Risk Committee of the Bank's Supervisory Board;
- Changes in the approaches, algorithms and methods used by the Bank for assessing the financial position, solvency of borrowers - individuals require the obligatory approval of the official responsible for the risk management in the Bank (they cannot be carried out due to the absence of such approval).

Preventive measures include:

- Management of limit restrictions of the Bank's Credit Policy within the annual validation process taking into account the Bank's Development Strategy, identified and expected risks;
- Definition of standard requirements to the borrowers’ financial reliability and, if necessary, tightening them;
- Credit risk management through a system of risk requirements formalized within certain banking products;
- Price management;
- Testing of new loan products in small volumes;
- Determination of credit policies based on ratings of financial reliability and efficiency of borrowers;
- Taking preventive measures to prevent the occurrence of bad debts.

Potential measures to recover losses, including:

- Debt restructuring;
- Definition of standard requirements to fulfilment of obligations on loan transactions and, if necessary, tightening them;
- Pre-trial and judicial debt repayment;
- Sale of claims to debtors.

Liquidity risk is the risk that the Bank will incur losses or will not receive the expected income due to inability to meet its obligations in full when they fall due. Liquidity risk results from a mismatch of the Bank’s financial assets and liabilities (including due to late fulfillment of financial obligations by one or several of the counterparties) and (or) due to an unforeseen necessity for the Bank to fulfill its financial liabilities immediately or simultaneously.

Main rules of risk management:

- Pursuing of liquidity accumulation strategy;
- Division of liquid assets into liquid assets of the first and the second stages. Determining the necessary sufficiency of liquid assets at the Bank's operation routinely (liquidity of the first stage) and emergently (liquidity of the first and the second stage). Assessment of the actual adequacy of liquidity;
- Division of the Bank's liquidity management into operational management and strategic management. Operational management is a set of rules and regulations that ensure sufficient liquidity for the short-term period (as a rule, over a horizon of up to 3 months), which should be

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linked to the strategic decisions taken on liquidity management. Strategic management is a set of rules and regulations that ensure sufficient liquidity for the long-term period;
- Organizational separation of operational and strategic liquidity management;
- Development of a system of limits based on the implemented model of complex analysis of interest rate risk and liquidity risk.

Preventive measures include:
- Accumulation and maintenance of liquid assets at the required level;
- Managing the risk of loss of business reputation (forming the image of a Bank with high financial reliability, capable of providing quality services, generating exclusive and market-demanded products);
- Formation of loan portfolios in proportion to the dynamics of changes in the resource base and its condition (for example, limiting the growth rate of loan portfolios to a level that does not outpace the growth of the resource base);
- Ensuring an adequate structure and diversification of funding sources;
- Improvement of analysis models;
- GAP position management;
- Implementation of low-liquid (long-term) assets;
- Hedging.

Measures to recover the necessary liquidity sufficiency in case of its loss are determined in accordance with the effective action plan established by the local legal acts to recover liquidity and overcome the crisis::
- Short-term attraction of resources in the interbank market, the National Bank and other counterparties;
- Updating interest rates on attraction products to increase their attractiveness;
- Correction of the limit policy on liquidity risk management;
- Hedging;
- Use of the resources of the mandatory loss allowance fund;
- Sale of securities;
- Sale of foreign currency;
- Postponement of the transaction for the placement of resources in low-liquid Assets;
- Conversion of foreign currencies into Belarusian rubles and vice versa;
- Limitation of lending volumes;
- Restructuring of liabilities;
- Sale of the Bank's tangible and intangible assets unused in the current activity, introduction of restrictions on the acquisition of tangible and intangible assets;
- Restructuring of assets, including the sale of part of assets;
- Putting into effect a Plan to counteract crisis situations and restore the Bank's liquidity.

Interest rate risk of the banking portfolio is the risk that the Bank will incur losses and fail to receive the expected income from changes in value of on and off-balance items not included in the trading portfolio as a result of changes in market interest rates.

The main rule of risk management is to optimize the ratio of assets and liabilities by term and amount taking into account their sensitivity to the changes in interest rates. The consequence of this rule is the possibility of increasing the interest rate risk in order to reduce the liquidity risk and vice versa, reducing the excess liquidity (increasing the liquidity risk) in order to reduce the interest rate risk.

Preventive measures include:
- Management of interest gap-positions;
- Development of a system of limits on the interest rate risk of the bank portfolio based on the implemented model of a comprehensive analysis of the interest rate risk of the bank portfolio and liquidity risk;
- Stimulation of desired changes in the asset portfolio, resource base through the transfer pricing system;
- Formation of loan and deposit agreements with conditions stipulating partial or full redistribution of risk to counterparties and clients;
- Forecasting changes in interest rates on the market and that allow the Bank to adapt with the least loss to changing conditions of its activities;

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- Redistribution of free assets between securities, interbank loans and funds on correspondent accounts;
- Hedging.

Measures to regulate (restore) the amount of risk at an acceptable level are correction of the limit policy for its management, improvement of analysis models, correction of pricing policy, attraction of long-term interbank loans with acceptable value for the Bank, restructuring of liabilities, as well as hedging.

Operational risk – the risk of losses and (or) additional costs incurred by the Bank, non-receipt of planned income as a result of non-compliance of the Bank's established procedures and procedures for banking transactions and other transactions within the legislation or violation by the Bank's employees, incompetence or mistakes of the Bank's employees, non-compliance or failure of the systems used by the Bank, including informational systems, as well as a result of external factors.

The main risk management rules are to ensure the efficient operation of the system for identification and recognition of operational incidents, prevention/minimization of losses and/or facts of shortfall in planned income, reduction of other development indicators due to the implementation of operational incidents, maintaining the risk accepted by the Bank at the level of tolerance and risk-appetite indicators established by the Supervisory Board.

Measures to prevent operational risk in the context of the main sources of its formation will be:

- Timely update of software, information technical means, recruitment of highly qualified specialists;
- Testing of the systems during the introduction of new products of the Bank;
- Creation of backup communication lines and other necessary backup systems; provision of autonomous power supplies;
- Improvement of the fraud-scoring system;
- Ensuring the effectiveness of the risk management system, taking into account the characteristics of risk sources;
- Determination of priority information technologies (IT) and their introduction into the strategic supervision process;
- Formalization of methods for selecting and controlling the introduction of IT tools and their systems (CRM,ERP,RPA, Core System and other) into the Bank's business processes;
- Ensuring cyber resilience and cyber security, defining and consolidating in the Strategy critical information infrastructure objects, typical for the Bank cyber threats, the current state of cyber security in the Bank and the ability to counter cyber threats, as well as measures to overcome existing deficiencies and ways to improve cyber risk management;
- Development and control of the implementation by the Bank's management of measures to develop the competencies and skills of personnel, taking into account the ongoing changes (for example, in the context of changes in the IT landscape, tasks for digital transformation - development and implementation of a plan to increase the Digital IQ of the Bank's employees);
- Regulation of the processes of working with information resources (IR) taking into account risks (for example: establishing a reasonable balance between openness and security of the information system, based on risk assessment; implementation of a classification of the Bank's information resources with an assessment with the help of the rating of such systems by the level of risks magnitude that the Bank faces leakage of information from these systems; development and implementation of regulations for working with information for each IR group);
- Formation of an integral system for the implementation of systematic monitoring and independent control of the established limits and powers for their compliance with the possible coverage of all operations carried out in the course of banking activities associated with the manifestation of risks, including operational ones;
- Creation of an effective organizational structure of the Bank;
- Regulation of operations;
- Development of standard forms of contracts;
- Improvement of processes, systems, technologies, procedures, regulations, and so on;
- Availability and keeping up to date of the Bank's action plans in case of unforeseen situations, in order to ensure the implementation of going concern;
- Development of the systems for automating banking operations, including automating the execution of the same type repetitive actions and information security systems;
- Reduction of the financial impact of operational risk through insurance;

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- Refusal from the type of activity (individual operations or transactions) subject to operational risk;
- Reduction of the level of certain types of operational risk by transferring risk or a part of it to third parties (outsourcing);
- Control and audit;
- Recruitment of highly qualified specialists, certification, formation of a personnel reserve;
- Development of the motivation of the Bank's employees;
- Increase of the knowledge of the employees in areas of activity, including in the field of increasing the risk culture;
- Learning by all employees of the Bank the fundamentals and principles of ensuring the information security of the Bank, including in terms of cyber risk, increase of the knowledge level.

Measures for recovering losses from the implementation of operational incidents are determined individually in each specific case, depending on the sources of operational risk and the business process where they were implemented.

Reputational risk – the risk of the Bank's losses, non-receipt of planned income as a result of narrowing the customer base, reducing of other development indicators due to the formation of a negative image in the company of the financial reliability of the Bank, the quality of services provided or the nature of activities in general.

Key risk management rules are to ensure the financial reliability of the Bank, the quality of services at a level not less than the main competitors' level, systematic work to improve it.

Preventive measures:

- Absolute ensuring the financial reliability of the Bank;
- Ensuring the proper quality of services provided;
- Ensuring transparency of the Bank's activities;
- Ensuring information security of the Bank;
- Establishing, developing and maintaining correspondent relations, including with foreign financial institutions, including (but not limited to) expanding the network of correspondents and the list of currencies for settlements;

- Compliance with the legislation of the Republic of Belarus on the prevention of legalization of income from crime, financing of terrorist activities and financing the proliferation of weapons of mass destruction (assessment of the risk of working with clients in the process of financial monitoring), effective management of compliance risk in accordance with the rules established by the Bank's local legal acts;
- Customer service in accordance with service standards;
- Interaction with the media through:
- Speech by the Bank's management and its representatives;
- Periodic publications of financial statements, information about the Bank, its products and services;
- Support of the Bank's website as a source of up-to-date and accurate information about the Bank and its activities;
- Advertising campaigns and events;
- Charitable, social actions, campaigns, programs;
- Positive content in the media about the Bank's activities.

Measures to recover losses as the result of reputational risk are actions aimed at recovering of the Bank's financial sustainability and reliability, correction of errors and deficiencies in customer service, publication of retractions in cases of "black" PR and appeal to the court.

Currency risk is the risk of the Bank's losses, non-receipt of the planned income from changes in the value of balance sheet and off-balance sheet items denominated in foreign currency due to changes in foreign exchange rates. Currency risk also affects the Bank's positions in precious metals in the form of bank bars, weighted bars and coins, revalued as book prices change in accordance with the Bank's applicable accounting policy.

The basic rule of risk management is the constant maintenance of a currency position in accordance with indicators of tolerance.

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Preventive measures include:

- Managing the open economic currency position size;
- Maintaining an open long currency position to hedge currency risk associated with the necessity to regulate the volume of special reserves created by Belarusian rubles on foreign exchange assets (off-balance) when changing exchange rates;
- Taking into account the possibilities of risks fair distribution between the Bank and counterparties when completing loan and deposit agreements;
- Mandatory stress-testing of the financial reliability of customers considered for purposes or conducting operations with the Bank related to credit risk in foreign currency.

Measures to regulate (recover) the risk at an acceptable level are adjustment of risk limit policy, the improvement of analysis models.

Commodity risk – the probability of the Bank's losses incurring due to non-receipt of the planned income from changes in cost of goods.

Key risk management rules are:

- Avoiding risk as much as possible;
- Monitoring and forecasting of market conditions in the context of commodity items in the Bank's portfolio.

Preventive measures include:

- Modeling and assessing possible losses due to changes in the market price and the cost of owning positions in the product portfolio;
- Risk limits management;
- Development of risk management methodology through the "product life cycle", starting with integration into the processes of accepting collateral and releasing own property and equipment, and ending with the sale of goods;
- Requirements toughening to the financial reliability of the borrowers, the quality of the security of loan transaction;
- Decisions on the immediate sale of property at a reduced price;
- Decisions on changing the requirements for the amount of a minimum sufficient discount on the value of the property when accepting debt repayments;
- Decisions on the formation of a list of goods (groups of goods) that cannot be accepted by the Bank on account of repayments of debtors' debts.

Control measures (recovering measures) are determined in accordance with the strategy of immediate sale or retention until the realization of a certain event adopted in relation to particular commodity item.

Concentration risk – the risk losses incurring due to non-receipt of the planned income as a result of concentration of certain types of risks.

The main and only rule for managing this type of risk is to limit the risk appetite, i.e. the degree of risk that the Bank considers acceptable when achieving its goals.

Preventive measures include:

- Counterparties and transactions diversification;
- Risk limits management;
- Formation of loan and deposit agreements with conditions stipulating partial or full redistribution of risk to counterparties and clients;
- Requirements toughening for the financial reliability of borrowers, the degree of security of the credit transaction, requirements toughening for deposit contracts of large depositors;
- Improvement of system to prevent fraudulent transactions.

Control measures (remediation measures) are as follows:

- Debt restructuring;
- Formation of plans to reduce the concentration of risk objects.

(in thousands of Belarusian rubles)

Measures to restore the necessary liquidity adequacy, in the event of its loss due to the realization of the concentration risk, are determined in accordance with the existing action plan for restoring liquidity and overcoming the crisis situation. Measures to restore the necessary operability of IT systems, in the event of its loss, are determined in accordance with the existing action plan to ensure the going concern and restore the Bank's operability as a participant of the payment system.

Adoption of IFRS 9: Credit risk. ECL model and the main principles of provisioning

The Bank applies the model of expected credit losses for the purpose of financial instruments provisioning, the key principle of which is the timely reflection of deterioration or enhancement of the credit quality of financial instruments, taking into account current and forward-looking information. The amount of expected credit losses recognized as an estimated allowance for impairment depends on the degree of deterioration of credit quality since the initial recognition of a financial instrument.

Depending on the change in credit quality since initial recognition, the Bank classifies financial instruments to one of the following stages:

- “12-month ECL” (Stage 1) - financial instruments for which no significant increase in credit risk was observed, and for which 12-month expected credit losses are calculated.
- “Lifetime ECL – not credit-impaired assets” (Stage 2) –financial instruments with a significant increase in credit risk, but not credit-impaired, for which expected credit losses are calculated over the entire lifetime of the financial instrument.
- “Lifetime ECL – credit-impaired assets” (Stage 3) – credit-impaired financial instruments.

For purchased or issued impaired financial assets, the allowance for impairment is formed in the amount of accumulated changes in the value of expected credit losses over the entire life of the instrument from the moment of purchase or delivery.

Significant increase in credit risk

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Bank's historical experience and expert credit quality assessment and including forward-looking information. The objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- The remaining lifetime probability of default (PD) as at the reporting date; and
- Remaining lifetime PD for this point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in expectations regarding early repayment).

The Bank uses the following criteria to determine whether there is a significant increase in credit risk:

For legal entities:

- Financial assets for which there has been a deterioration of more than 1 category since the initial recognition in accordance with the internal gradation of credit quality;
- Financial assets with overdue debt duration from 31 to 90 days.
- Transfer of debt on financial asset to the unit for the collection of problem debt, if the criteria for recognition of credit impairment are not met;
- Financial assets of the client, in case of modification of his other financial asset
- The existence of a decision of the authorized collegial body on the recognition of a significant increase in credit risk as a result of consideration of reasonable and confirmed information obtained as a result of financial monitoring.

For individuals:

- Financial assets with overdue debts from 31 to 90 days.

For financial institutions, government bodies:

- Debt of counterparties for which there is a significant reduction in the rating under the international credit rating system compared to the date of initial recognition (except in cases when, after the

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reduction of the debt category, it falls into categories "C" (Moody's), "D" (S&P), "RD", "D" (Fitch), "SD", "D" (ACRA));
- Debt with more than 7 days overdue.

If there is evidence that there is no significant increase in credit risk relative to the moment of initial recognition, then the loss allowance for the relevant instrument will again be estimated at the amount of 12-month ECL.

The Bank checks the criteria for their ability to detect a significant increase in credit risk by conducting checks on a regular basis to ensure that:
- There will be a default event in relation to the position exposed to credit risk;
- The criteria do not relate to the time when the asset debt is overdue for more than 30 days;
- The criteria make it possible to identify a significant increase in credit risk before the average time period between the identification of a significant increase in credit risk and the occurrence of a default event seems reasonable;
- Positions exposed to credit risk are not transferred directly from the portfolio for which the estimated loss allowance is recognized in the amount of 12-month expected credit losses (Stage 1) to the portfolio of credit-impaired assets (Stage 3);
- There is no unreasonable volatility in the value of the estimated loss allowance under expected credit losses when transferring positions exposed to credit risk from the portfolio for which the estimated loss allowance is recognized in the amount of 12-month expected credit losses (Stage 1) to the portfolio for which the estimated loss allowance is recognized in the amount of expected credit losses for the entire term (Stage 2).

Credit risk grades

The Bank allocates each exposure to a credit risk grade based on a variety of data that is determined to be predictive of the risk of default and applying experienced credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default. These factors vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade on initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade.

Quality categories are determined for the following categories of borrowers:

- Loans to corporate borrowers

The Bank estimates the expected credit losses for corporate clients' debts by collective valuation based on the quality categories of credit debts, as well as by an individual assessment for the largest borrowers.

Collective valuation based on the quality categories of credit debt is based on an analysis of the quality of servicing the credit debt of debtors, as well as credit history and other information about the business of debtors, which is available without undue cost and effort.

The probability of default is determined by the Markov chain method, which calculates the probability of default in the context of segments of the scale of the debtor's business and baskets of overdue debt.

An individual assessment is applied to debtors of the Bank who require an in-depth analysis of the amount of expected credit losses. As a rule, such an assessment is applied to the largest debtors of the Bank and/or whose debt has been modified.

For clients assessed on an individual basis, the probability of default calculated in the general order (depending on the segments of the scale of the business and the baskets of overdue debts) is adjusted taking into account the probability of default for the corresponding internal ratings of the Bank (assigned as a result of the analysis of financial statements and credit history, other indicators of the debtor's activity).

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- Financial institutions and government bodies

For banks that have an international rating, classification is carried out according to this rating. The ratings established according to the methodology of Moody's, S&P, Fitch, ACRA JSC are taken into account. For counterparties for which an international rating has not been established, the Bank conducts internal gradation in quality based on factors accepted by international rating agencies when establishing ratings. The quality categories for financial institutions and government agencies are grouped as follows:

- "Standard" - international ratings from AAA to B+ or comparable domestic ratings;
- "Sub standard" - international ratings from B to CCC or comparable domestic ratings

For government agencies, quality categories are determined based on the sovereign rating set by international rating agencies.

Generating the term structure of PD

Quality categories, as well as information about the duration of the delay, are the main input data when creating a temporary structure of the probability of default for positions exposed to credit risk. The Bank collects information on the quality of debt servicing and the level of default in relation to positions exposed to credit risk, analyzed depending on the type of product and the borrower, as well as depending on the quality category. For some portfolios, information obtained from external credit rating agencies is also used.

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 as a result of the passage of time.

Definition of default

The financial asset is classified by the Bank to financial assets for which an event of default had occurred, in the following cases:
For corporate borrowers:

- Overdue debts lasting more than 90 days;
- Changes to the terms of the contract (modification) due to the financial difficulties of the client and the inability to service the contract in accordance with the original terms;
- Whether the Bank has information on the court's decision to open bankruptcy proceedings against the debtor or on the debtor's filing of an application for voluntary liquidation;
- Transfer of debt on the financial asset to the unit for the recovery of problem debt and recognition of its credit-impaired;
- The decision of the authorized collegial body on the recognition of assuta as credit-impaired as a result of consideration of reasonable and confirmed information obtained as a result of financial monitoring.

For individuals:

- Debt on loans with a duration of more than 90 days overdue, as well as involving objective reasons indicating that the loan cannot be repaid, for example, the borrower’s death;
- Alteration (modification) due to the financial difficulties of the client and the inability to service the contract in accordance with the original conditions.

For financial institutions, government bodies:

- Debt is classified in Ca and lower grade by Moody’s International rating agency (S&P – CC; Fitch-CCC, ACRA - SD, D) or in comparable categories based on an internal assessment;
- Debt with more than 30 days overdue.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- Qualitative: e.g. breaches of covenant;
- Quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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Incorporation of forward-looking information

The Bank incorporates forward-looking information both to the assessment for a significant increase in credit risk since the initial recognition of the financial instrument and to the assessment of expected credit losses. The Bank uses three economic scenarios: the baseline scenario, the probability of which is 80%, and two less likely scenarios – the optimistic and worst-case scenarios, the probability of each of the scenarios is 10%. The baseline scenario is based on information used by the Bank in strategic planning and budgeting. External information taken into account includes economic data and forecasts published by government bodies and monetary authorities in countries in which the Bank operates, such as the National Bank of the Republic of Belarus, the National Statistical Committee, as well as other individual and scientific forecasts.

The Bank has identified and documented a list of the main factors affecting the assessment of credit risk and credit losses for each portfolio of financial instruments and, using historical data analysis, assessed the correlation between macroeconomic variables, credit risk and credit losses.

The dynamics of nominal GDP in USD, as well as the level of real wages are identified as key factors.

The projected ratios between the key indicator and default and the levels of losses for various portfolios of financial assets were developed based on the analysis of historical data for the last 8 years.

The exposure is monitored on a regular basis to ensure that the credit limits and creditworthiness guidelines established by the Bank's risk management policy are not breached.

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified may be derecognized and the renegotiated loan recognized as a new loan at fair value in accordance with the accounting policy set out in Note 3.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether there has been a significant increase in the financial asset's credit risk is made by comparing:

- The probability of default for the remainder of the entire period as at the reporting date based on the modified terms of the contract; and
- With the remaining lifetime PD estimated based on data on 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).

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.

Measurement of ECL

The key inputs into the measurement of ECL are the term structure of the following variables:

- Probability of default (PD);
- Loss given default (LGD);
- Exposure at default (EAD).

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD, ECL for exposures in Stage 2 – by multiplying marginal PD by LGD and EAD, stated for the first and each next

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period. As for Stage 3, the Bank estimates expected cash flows in order to determine the recoverable amount of the financial assets.

The methodology for estimating PD indicators for the clients, assessed on a group and individual basis, is described above in the section Generating the term structure of PD.

For the clients, assessed on a group basis the Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties and based on external information – in regard to financial institutions and government bodies.

In case of an individual assessment of expected credit losses to determine the LGD indicators, the Bank operates with pledge agreements concluded with borrowers and the ability of these agreements to cover the balance of debt under the loan agreement in the event of a borrower's default. The Bank uses a judgment in relation to the fair measurement of such pledge agreements and the timing of their realization.

EAD represents the expected exposure in the event of a default. The Bank derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortization. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward- looking forecasts. For financial guarantees contracts and letters of credit, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Bank measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for credit risk management purposes, the Bank considers a longer period. The maximum contractual period extends to the date at which the Bank has the right to require repayment of the loan or terminate a loan commitment or guarantee.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include:

- Instrument type;
- Product.

The Bank has a regular assessment to ensure that exposures within a particular Bank remain appropriately homogeneous.

In relation to cash and cash equivalents, funds in banks and securities, statistical information on defaults and refunds of international rating agencies is used as an additional one.

Credit quality analysis

The following tables provide information about the credit quality of financial assets measured at amortized cost, debt instruments measured at FVTOCI as at December 31, 2022 and December 31, 2021. Unless otherwise indicated, the amounts in the table recognize gross carrying amount of financial assets. According to loan commitments and financial guarantee contracts, the amounts in the table recognize the amounts of commitments made and guarantees issued, respectively.

	December 31, 2022	
	Stage 1	**Total**
Cash and cash equivalents		
AAA	481	481
From A- to A+	6 734	6 734
From AA- to AA+	23 371	23 371
BBB	11 587	11 587
From CCC to B+	265 870	265 870
Only with internal credit risk grades:		
Standard	8 371	8 371
Sub-standard	-	-
	316 414	**316 414**
Loss allowance	(138)	(138)
Carrying amount	**316 276**	**316 276**

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	December 31, 2021	
	Stage 1	**Total**
Cash and cash equivalents	-	-
From A- to A+	480	480
BBB	36 045	36 045
From BB- to BB+	1 238	1 238
From CCC to B+	51 088	51 088
Only with internal credit risk grades:		
Standard	233 059	233 059
Sub-standard	21 017	21 017
	342 927	**342 927**
Loss allowance	(93)	(93)
Carrying amount	**342 834**	**342 834**

	December 31, 2022		
	Stage 1	**Stage 3**	**Total**
Due from credit and financial institutions			
From A- to A+	4 005	-	**4 005**
From AA- to AA+	9 304		**9 304**
From CCC to B+	15 831	3 807	**19 638**
From CCC- to D	-	-	**-**
Only with internal credit risk grades:			
Standard	39 154	-	**39 154**
Sub-standard	-	-	**-**
	68 294	**3 807**	**72 101**
Loss allowance	(446)	(3 807)	**(4 253)**
Carrying amount	**67 848**	**-**	**67 848**

	December 31, 2021		
	Stage 1	**Stage 2**	**Total**
Due from credit and financial institutions			
From A- to A+	2 431	-	2 431
From CCC to B+	2 367	-	2 367
Only with internal credit risk grades:			
Standard	18 126	-	18 126
Sub-standard	-	-	-
	22 924	-	**22 924**
Loss allowance	(190)	-	(190)
Carrying amount	**22 734**	**-**	**22 734**

	December 31, 2022	
	Stage 1	**Total**
Investment debt securities		
From CCC to B+	79 535	79 535
	79 535	**79 535**
Loss allowance	(1 972)	(1 637)
Investment securities net of loss allowance	**78 843**	**78 843**

	December 31, 2021	
	Stage 1	**Total**
Investment debt securities		
From CCC to B+	39 639	39 639
	39 639	**39 639**
Loss allowance	(614)	(614)
Investment securities net of loss allowance	**39 639**	**39 639**

(in thousands of Belarusian rubles)

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Only with internal credit risk grades:				
Standard	554 950	-	-	**554 950**
Watch	97 999	-	-	**97 999**
Sub-standard	9 013	50 394	-	**59 407**
Non-performing	39	1 204	-	**1 243**
Loss	-	-	122 264	**122 264**
	662 001	**51 598**	**122 264**	**835 863**
Loss allowance	**(5 844)**	**(1 288)**	**(16 724)**	**(23 856)**
Carrying amount	**656 157**	**50 310**	**105 540**	**812 007**

	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Only with internal credit risk grades:				
Standard	219 231	-	-	219 231
Watch	397 275	-	-	397 275
Sub-standard	22 347	26 342	-	48 689
Non-performing	293	796	335	1 424
Loss	-	-	23 605	23 605
	639 146	**27 138**	**23 940**	**690 224**
Loss allowance	(10 676)	(768)	(10 936)	(22 380)
Carrying amount	**628 470**	**26 370**	**13 004**	**667 844**

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Net investment in finance lease				
Only with internal credit risk grades:				
Standard	58 857	-	-	**58 857**
Watch	5 763	-	-	**5 763**
Sub-standard	259	720	-	**979**
Non-performing	23	390	-	**413**
Loss	-	-	351	**351**
	64 902	**1 110**	**351**	**66 363**
Loss allowance	(491)	(152)	(162)	**(805)**
Carrying amount	**64 411**	**958**	**189**	**65 558**

	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Net investment in finance lease				
Only with internal credit risk grades:				
Standard	18 502	-	-	18 502
Watch	29 936	-	-	29 936
Sub-standard	1 623	2 274	-	3 897
Non-performing	11	214	14	239
Loss	-	-	2 332	2 332
	50 072	**2 488**	**2 346**	**54 906**
Loss allowance	(270)	(111)	(1 066)	(1 447)
Carrying amount	**49 802**	**2 377**	**1 280**	**53 459**

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Financial guarantees and letters of credit				
Only with internal credit risk grades:				
Standard	21 111	-	-	**21 111**
Watch	191	-	-	**191**
Sub-standard	438	-	-	**438**
Non-performing	-	222	-	**222**
Loss	-	-	-	**-**

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Carrying amount	**21 740**	**222**	**-**	**21 962**

	December 31, 2021		
	Stage 1	**Stage 2**	**Total**
Financial guarantees and letters of credit			
Only with internal credit risk grades:			
Standard	32 616	-	32 616
Watch	22 618	-	22 618
Sub-standard	295	69	364
Non-performing	-	15	15
Carrying amount	**55 529**	**84**	**55 613**

The following table provides information about the overdue loans to customers, in terms of credit quality stages.

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Undue	660 507	49 768	110 930	**821 205**
1-30 days	1 494	1 547	1 566	**4 607**
31-60 days	-	225	-	**225**
61-90 days	-	58	4	**62**
90+ days	-	-	9 764	**9 764**
Gross carrying amount	**662 001**	**51 598**	**122 264**	**835 863**

	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans to legal entities				
Undue	638 940	26 409	20 211	685 560
1-30 days	206	721	1 023	1 950
31-60 days	-	8	471	479
61-90 days	-	-	253	253
90+ days	-	-	1 982	1 982
Gross carrying amount	**639 146**	**27 138**	**23 940**	**690 224**

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Net investment in finance lease				
Undue	64 134	846	242	**65 222**
1-30 days	768	200	102	**1 070**
31-60 days	-	64	1	**65**
61-90 days	-	-	1	**1**
90+ days	-	-	5	**5**
Gross carrying amount	**64 902**	**1 110**	**351**	**66 363**

	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Net investment in finance lease				
Undue	48 108	2 336	2 201	52 645
1-30 days	1 964	152	142	2 258
90+ days	-	-	3	3
Gross carrying amount	**50 072**	**2 488**	**2 346**	**54 906**

(in thousands of Belarusian rubles)

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Undue	576 133	-	1 589	**577 722**
1-30 days	9 700	-	199	**9 899**
31-60 days	-	2 083	126	**2 209**
61-90 days	-	1 222	122	**1 344**
90+ days	-	-	15 322	**15 322**
Gross carrying amount	**585 833**	**3 305**	**17 358**	**606 496**

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
Loans to individuals				
Undue	427 706	-	3 596	431 302
1-30 days	7 699	-	410	8 109
31-60 days	-	1 872	67	1 939
61-90 days	-	1 260	71	1 331
90+ days	-	-	6 667	6 667
Gross carrying amount	**435 405**	**3 132**	**10 811**	**449 348**

	December 31, 2022		
	Stage 1	Stage 3	Total
Other financial assets			
Undue	2 577		2 577
90+ days	-	504	504
Gross carrying amount	**2 577**	**504**	**3 081**

	December 31, 2021	
	Stage 3	Total
Other financial assets		
Undue	-	**-**
90+ days	4 694	**-**
Gross carrying amount	**4 694**	**4 694**

Offsetting financial assets and financial liabilities

The disclosures in the tables below include financial assets and financial liabilities that are subject to a legally enforceable general netting agreement or similar agreements that relate to the same financial instruments, whatever they are offset or not in the balance sheet.

Similar financial instruments include repurchase transactions, agreements on securities lending and borrowing, loans to customers and due to customers.

The tables below present the financial liabilities that are the subject to legally enforceable general netting agreements and similar agreements as at December 31, 2022 and 2021.

	December 31, 2022				December 31, 2021			
		Amounts that have not been offset in the statement of financial position				Amounts that have not been offset in the statement of financial position		
Types of financial assets/financial liabilities	**Full amounts of recognized financial assets/ liabilities**	**Financial instruments**	**Cash collateral received**	**Net amount**	**Full amounts of recognized financial assets/ liabilities**	**Financial instruments**	**Cash collateral received**	**Net amount**
Loans to customers	15 790	-	(6 310)	9 480	133		(91)	42

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Due to customers	(53 592)	6 310	-	(47 282)	(50 661)	91	(50 570)

The following table details the geographical analysis of financial assets and liabilities of the Bank:

	2022				*2021*			
	Belarus	***CIS***	***OECD and other countries***	***Total***	***Belarus***	***CIS***	***OECD and other countries***	***Total***
Assets								
Cash and cash equivalents	469 637	26 108	15 546	511 291	428 710	28 78	5 40	**462 905**
Due from credit and financial institutions	15 393	-	52 455	67 848	16 767		5 96	**22 734**
Derivative financial assets	-	-	-	-	93			**99**
Loans to customers	1 468 509	-	-	1 468 509	1 352 258			**1 352 258**
Investment securities	79 811	-	-	79 811	40 441			**40 441**
Other financial assets	2 655	-	-	2 655	2 960			**2 960**
	2 036 005	**26 108**	**68 001**	**2 130 114**	**1 841 229**	**28 79**	**11 37**	**1 881 397**
Liabilities								
Due to credit institutions	(55 347)	(101)	-	(55 448)	(86 343)		(78	**(87 124)**
Derivative financial liabilities	-	-	-	-	(120)		(	**(121)**
Due to customers	(1 384 596)	(81 750)	(18 546)	(1 484 892)	(1 304 503)	(18 50	(12 43	**(1 335 444)**
Debt securities issued	(52 617)			(52 617)	(58 117)			**(58 117)**
Allowances for ECLs in respect of loan commitments and financial guarantee agreements	(265)	-	-	(265)	(139)			**(139)**
Other financial liabilities	(26 020)	-	-	(26 020)	(15 954)			**(15 954)**
Subordinated debt	(2 736)	-	(45 882)	(48 618)	(2 548)		(29 94	**(32 491)**
	(1 521 581)	**(81 851)**	**(64 428)**	**(1 667 860)**	**(1 467 724)**	**(18 50**	**(43 15**	**(1 529 390)**
Net assets/ (liabilities)	**514 424**	**(55 743)**	**3 573**	**462 254**	**373 505**	**10 28**	**(31 78**	**352 007**

The Bank’s liquidity management strategy provides for classifying liquid assets as assets of first and second priority. Such classification of liquid assets results from understanding that the Bank might be forced to work in extreme conditions in the event of a shocking impact of one or more risk factors. The liquid assets of second priority are income-generating investments which, if necessary, may be quickly transformed to cash to ensure additional Bank liquidity. Thus, liquid assets of the second stage are a reserve of liquid assets.

The Bank owns investment securities which may be easily sold for cash in the event of an unforeseen interruption of cash flow. The Bank also has open credit lines, funds on which it can use to meet the need for funds. In addition, the Bank placed an obligatory deposit in the National Bank the amount of which depends on the level of customer funds attracted.

The Bank’s liquidity position is also assessed in terms of fulfilment of liquidity ratios established by the National Bank of the Republic of Belarus.

(in thousands of Belarusian rubles)

Indicator name	***Regulatory standard***	***December 31, 2022***
Liquidity ratio	Not less than 100%	142,5%
Net standing funding ratio	Not less than 100%	139,3%

Liquidity ratios as at December 31, 2021:

Indicator name	***Regulatory standard***	***December 31, 2021***
Liquidity ratio	Not less than 100%	164,1%
Net standing funding ratio	Not less than 100%	133,2%

Analysis of financial liabilities by the periods to maturity

The table below presents the Bank’s financial liabilities as at December 31, 2022 by the periods to maturity based on contractual undiscounted maturity obligations. Derivative financial instruments redeemed by the delivery of a basic asset are an exception. They are indicated by contractual maturity. Liabilities subject to repayment on request are considered as if the request for repayment was filed at the earliest possible date. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank’s deposit retention history. Maturity differences analysis does not reflect the historical stability of current account balances, which have traditionally been repaid over a longer period than indicated in the tables above. These balances are included in amounts payable during less than “three months” in the tables above.

Financial liabilities	***Less than 3 months***	***3 to 12 months***	***1 - 5 years***	***Over 5 years***	***Total***
As at December 31, 2022					
Due to credit institutions	35 731	5 331	15 444	2 198	**58 704**
Due to customers	1 114 405	263 305	45 468	65 625	**1 488 803**
Debt securities issued	2 316	34 579	18 797	-	**55 692**
Other borrowings	-	-	-	-	**-**
Other financial liabilities	16 850	4 958	-	-	**21 808**
Subordinated debt	867	3 117	39 467	22 325	**65 776**
Total undiscounted financial liabilities	**1 170 169**	**311 290**	**119 176**	**90 148**	**1 690 783**
Derivative financial instruments redeemed by the delivery of a basic asset					
- Amounts payable under agreements	-	-	-	-	**-**
- Amounts receivable under agreements	-	-	-	-	**-**
Total cash flows from derivative financial liabilities	**-**	**-**	**-**	**-**	**-**
As at December 31, 2021					
Due to credit institutions	60 716	19 672	2 203	-	**82 591**
Due to customers	881 532	328 172	123 854	50 798	**1 384 356**
Debt securities issued	20 030	23 871	19 946	-	**63 847**
Other borrowings	-	-	-	-	**-**
Other financial liabilities	899	-	-	-	**899**
Subordinated debt	632	1 398	10 619	31 609	**44 257**
Total undiscounted financial liabilities	**963 809**	**373 113**	**239 029**	**-**	**1 575 950**
Derivative financial instruments redeemed by the delivery of a basic asset					
- Amounts payable under agreements	27 253	-	-	-	**27 253**
- Amounts receivable under agreements	(27 133)	-	-	-	**(27 133)**
Total cash flows from derivative financial liabilities	**120**	-	-	-	**120**

The table below shows the contractual maturity of the Bank’s financial commitments and contingencies. Each undrawn loan commitment is included in the period containing the earliest date it can be drawn down. For 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)

	Less than 3 months	3 to 12 months	1 - 5 years	Over 5 years	Total
As at December 31, 2022	910 346	-	-	-	**910 346**
As at December 31, 2021	777 223	-	-	-	**777 223**

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

The Bank’s ability to fulfill its liabilities depends on its ability to realize an equivalent amount of assets within the same period of time.

The analysis of differences in maturity does not reflect the historical stability of current accounts. Their demand by the clients has been historically performed during a longer period than indicated in the tables above. These balances are included in amounts payable during less than “three months” in the tables above. Due to customers include term deposits of individuals.

Interest rate risk

The sensitivity of net interest income is an effect of the assumed changes in interest rates on the net interest income for one year, calculated based on financial assets and financial liabilities with a floating rate held as at December 31. The sensitivity of equity to acceptable changes in interest rates as at December 31 is calculated after taxation.

Currency	Increase in basis points 2022	Sensitivity of net interest income 2022	Equity sensitivity 2022
BYN	1 500	(1 021)	(766)
RUB	1 500	915	686
EUR	25	(13)	(10)
USD	50	9	7

Currency	Increase in basis points 2021	Sensitivity of net interest income 2021	Equity sensitivity 2021
BYN	1 500	406	305
EUR	25	-	-
USD	50	132	99

Currency	Decrease in basis points 2022	Sensitivity of net interest income 2022	Equity sensitivity 2022
BYN	500	340	255
RUB	500	(305)	(229)
EUR	25	13	10
USD	12	(2)	(1)

Currency	Decrease in basis points 2021	Sensitivity of net interest income 2021	Equity sensitivity 2021
BYN	500	(135)	(102)
EUR	25	-	-
USD	12	(18)	(14)

The following table presents a sensitivity analysis of the risk of changes in fair value carried out on the basis of changes which were reasonably possible in respect of investment securities with fixed interest rate. The extent of these changes is determined by management. The sensitivity analysis represents the effect of a 5% increase, a 5% decrease in interest rates effective at the reporting date, on the Bank's capital, assuming that the changes occur at the beginning of the financial year, after which the rates remain unchanged throughout the reporting period, all other factors being considered unchanged.

(in thousands of Belarusian rubles)

	December 31, 2022		December 31, 2021	
	Interest rate +5%	**Interest rate -5%**	**Interest rate +5%**	**Interest rate -5%**
Investment securities	(57)	57	(11)	11
Net effect on equity	**(57)**	**57**	**(11)**	**11**

Foreign currency risk

The Management Board and the Financial Committee ensure the maintenance of open positions in foreign currency within the limits of the currency risk limitation standards established by the National Bank of the Republic of Belarus. Items are monitored on a daily basis.

The Bank’s exposure to foreign currency exchange rate risk is presented in the table below:

	BYN	*USD*	*EUR*	*RUB*	*Other currency*	*Total*
Financial assets as at December 31, 2022						
Cash and cash equivalents	277 784	107 953	89 817	25 938	9 799	**511 291**
Due from credit and financial institutions	15 241	16 911	28 877	4	6 815	**67 848**
Derivative financial assets	-	-	-	-	-	**-**
Loans to customers	1 018 220	345 515	85 012	19 762	-	**1 468 509**
Investment securities	968	65 425	13 418	-	-	**79 811**
Other financial assets	1 653	269	725	7	1	**2 655**
Total financial assets	**1 313 866**	**536 073**	**217 849**	**45 711**	**16 615**	**2 130 114**
Financial liabilities as at December 31, 2022						
Due to credit institutions	(40 737)	(301)	(14 394)	(16)	-	**(55 448)**
Derivative financial liabilities	-	-	-	-	-	**-**
Due to customers	(753 999)	(466 009)	(214 685)	(45 450)	(4 749)	**(1 484 892)**
Debt securities issued	(50 319)	(1 665)	(633)	-	-	**(52 617)**
Other borrowings	-	-	-	-	-	**-**
Other financial liabilities	(14 244)	(3 431)	(1 443)	(43)	(2 647)	**(21 808)**
Subordinated debt	(1 073)	(47 545)	-	-	-	**(48 618)**
Total financial liabilities	**(860 372)**	**(518 951)**	**(231 155)**	**(45 509)**	**(7 396)**	**(1 663 383)**
Claims on derivative financial instruments and currency trading	-	-	-	-	-	-
Obligations on derivative financial instruments and currency trading	-	-	-	-	-	-
Total currency position as at December 31, 2022	**453 494**	**17 122**	**(13 306)**	**202**	**9 219**	**466 731**

	BYN	*USD*	*EUR*	*RUB*	*Other currency*	*Total*
Financial assets as at December 31, 2021						
Cash and cash equivalents	298 759	115 672	29 245	17 738	1 491	**462 905**
Due from credit and financial institutions	13 809	8 925	-	-	-	**22 734**
Derivative financial assets	99	-	-	-	-	**99**
Loans to customers	861 956	301 094	157 856	31 352	-	**1 352 258**
Investment securities	802	34 800	4 839	-	-	**40 441**
Other financial assets	2 581	178	196	5	-	**2 960**
Total financial assets	**1 178 006**	**460 669**	**192 136**	**49 095**	**1 491**	**1 881 397**

(in thousands of Belarusian rubles)

	BYN	*USD*	*EUR*	*RUB*	*Other currency*	*Total*
Financial liabilities as at December 31, 2021						
Due to credit institutions	(74 504)	(5 350)	(6 946)	(324)	-	**(87 124)**
Derivative financial liabilities	(121)	-	-	-	-	**(121)**
Due to customers	(698 518)	(421 336)	(161 215)	(53 149)	(1 226)	**(1 335 444)**
Debt securities issued	(47 783)	(2 672)	(7 662)	-	-	**(58 117)**
Other borrowings	-	-	-	-	-	**-**
Other financial liabilities	(7 694)	(899)	(7 500)	-	-	**(16 093)**
Subordinated debt	(958)	(31 533)	-	-	-	**(32 491)**
Total financial liabilities	**(829 578)**	**(461 790)**	**(183 323)**	**(53 473)**	**(1 226)**	**(1 529 390)**
Claims on derivative financial instruments and currency trading	-	41 948	2 884	23 373	-	**68 205**
Obligations on derivative financial instruments and currency trading	-	(26 130)	(23 637)	(18 445)	-	**(68 212)**
Total currency position as at December 31, 2021	**348 428**	**14 697**	**(11 940)**	**550**	**265**	**352 000**

The following tables present the currencies of which the Bank had significant exposure as at December 31 on its financial assets and financial liabilities and its forecast cash flows. The analysis performed includes calculation of the effect of a reasonably possible change in currency rates against the Belarusian rouble before tax (due to the fair value of currency sensitive financial monetary assets and liabilities). All other parameters are considered constant. The effect on equity does not differ from the effect on profit before tax. The negative amounts in the table reflect the potentially possible net decrease in the statement of comprehensive income or equity, and the positive amounts reflect the potential net increase.

Currency	*Reasonable higher threshold of change in currency rate 2022*	*Effect on income before tax 2022*	*Effect on equity after taxation 2022*
USD	+40%	6 922	5 192
EUR	+40%	(4 846)	(3 635)
RUB	+40%	81	61

Currency	*Reasonable lower threshold of change in currency rate 2022*	*Effect on income before tax 2022*	*Effect on equity after taxation 2022*
USD	-20%	3 461	2 596
EUR	-20%	(2 423)	(1 817)
RUB	-20%	40	30

Currency	*Reasonable higher threshold of change in currency rate 2021*	*Effect on income before tax 2021*	*Effect on equity after taxation 2021*
USD	+40%	5 879	4 409
EUR	+40%	(4 776)	(3 582)
RUB	+40%	220	165

Currency	*Reasonable lower threshold of change in currency rate 2021*	*Effect on income before tax 2021*	*Effect on equity after taxation 2021*
USD	-20%	2 939	2 205
EUR	-20%	(2 388)	(1 791)
RUB	-20%	110	83

(in thousands of Belarusian rubles)

Risk of early repayment

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

26. Determination of fair value

Fair value measurement procedures

The Bank’s Management determines the policies and procedures for both periodic fair value measurement of unquoted debt securities and unquoted derivative financial instruments, investment property and for non-recurring measurement, such as assets held-for-sale.

At each reporting date, the Management analyzes the movements in the values of assets which are required to be re-measured or re-assessed as per the Bank’s accounting policies. For this analysis, the Management reviews the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents. The Management, together with the Bank’s external appraisers, also compares each change in the fair value of each asset with relevant external sources to determine whether the change is reasonable. On a periodic basis, the Management and the Bank’s external appraisers present the results to the Audit committee and the Bank’s independent auditors. This includes a discussion of the major assumptions used in appraisal.

Fair value hierarchy

For the purpose of fair value disclosure the Bank classified assets and liabilities on the basis of their nature, characteristics and risk of an asset or liability, as well as the level of fair value hierarchy.

	Fair value measurement using			
	Quoted prices in asset markets	***Significant observable key inputs***	***Significant unobservable key inputs***	
As at December 31, 2022	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Derivative financial assets	-	-	-	**-**
Investment securities	-	50 915	-	**50 915**
Property, plant and equipment – offices	-	-	25 641	**25 641**
Assets for which fair value is disclosed				
Due from credit and financial institutions	-	-	67 848	**67 848**
Loans to customers	-	-	1 604 516	**1 604 516**
Investment securities measured at amortized cost	-	27 723	-	**27 723**
Liabilities measured at fair value				
Derivative financial instruments	-	-	-	**-**
Liabilities for which fair value is disclosed				
Due to credit institutions	-	55 448	-	**55 448**
Due to customers	-	742 777	749 606	**1 492 383**
Debt securities issued	-	51 856	-	**51 856**
Subordinated debt	-	-	43 756	**43 756**

	Fair value measurement using			
	Quoted prices in asset markets	***Significant observable key inputs***	***Significant unobservable key inputs***	
As at December 31, 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Derivative financial assets	-	-	99	**99**
Investment securities	-	40 441	-	**40 441**

(in thousands of Belarusian rubles)

	Fair value measurement using			
	Quoted prices in asset markets	***Significant observable key inputs***	***Significant unobservable key inputs***	
As at December 31, 2021	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets for which fair value is disclosed				
Due from credit and financial institutions	-	-	22 734	**22 734**
Loans to customers	-	-	1 338 625	**1 338 625**
Liabilities measured at fair value				
Derivative financial instruments	-	-	121	**121**
Liabilities for which fair value is disclosed				
Due to credit institutions	-	87 124	-	**87 124**
Due to customers	-	-	1 336 269	**1 336 269**
Debt securities issued	-	51 856	-	**51 856**
Subordinated debt	-	-	43 756	**43 756**

Movements in Level 3 financial instruments measured at fair value

The following table presents a reconciliation of the opening and closing balances of Level 3 financial assets and liabilities which are measured at fair value as at the end of 2022:

	As at January 1, 2022	***Gains recognized in the statement of profit or loss***	***Repayments***	***As at December 31, 2022***
Financial assets				
Derivative financial instruments	98	26	(124)	-
Financial liabilities				
Derivative financial instruments	(120)	(19)	139	-
Total Level 3 financial assets/liabilities, net	**218**	**45**	**(263)**	**-**

Gains on Level 3 financial instruments included in the statement of comprehensive income are recognized in Net gains from foreign currency transactions. Gains and losses on derivative financial instruments for the reporting periods are disclosed in Note 21.

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

The table below presents carrying amount and fair value comparison by the Bank’s financial instruments classes that are not measured at fair value in the statement of financial position. The table does not include the fair value of non-financial assets and non-financial liabilities.

	Carrying amount 2022	***Fair value 2022***	***Carrying amount 2021***	***Fair value 2021***
Financial assets				
Cash and cash equivalents	511 291	511 291	462 905	462 905
Due from credit and financial institutions	67 848	67 848	22 734	22 734
Loans to customers	1 468 509	1 604 516	1 352 258	1 338 625
Investment securities, measured at amortized cost	28 896	27 839	-	-
Other financial assets	9 613	9 613	10 815	10 815
Financial liabilities				
Due to credit institutions	55 448	55 448	87 124	87 124
Due to customers	1 484 892	1 492 383	1 335 444	1 336 269
Debt securities issued	52 617	50 490	58 117	50 072
Other borrowings	-	-	-	-
Other financial liabilities	26 021	26 021	7 974	7 974
Subordinated debt	48 618	34 020	32 491	30 442

Measurement techniques and assumptions

The techniques and assertions used in fair value measurement of the financial instruments that are not carried at fair value in the financial statements are disclosed below.

(in thousands of Belarusian rubles)

Assets for which fair value approximates carrying amount

For liquid financial assets and financial liabilities and those having a short-term maturity (less than three months) it is assumed that their fair value is approximately equal to their carrying amount. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed and variable rate financial instruments

The fair value of unquoted debt instruments is measured by discounting future cash flows using current interest rates taking into account the remaining maturities for debt instruments with similar terms and credit risk. For these purposes, the amortized cost is restated at the effective interest rate, which is equal to the weighted average rate for the instruments opened in the last reporting month of the reporting period. The fair value of such financial instruments is disclosed at level 3.

27. Maturity analysis of assets and liabilities

The table below presents an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 25 "Risk management" for the Bank's contractual undiscounted repayment obligations..

	Total 2022			***Total 2021***		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	511 291	-	**511 291**	462 905	-	**462 905**
Due from credit and financial institutions	39 147	28 701	**67 848**	-	22 734	**22 734**
Derivative financial assets	-	-	**-**	99	-	**99**
Loans to customers	803 563	664 946	**1 468 509**	751 540	600 718	**1 352 258**
Investment securities	13 144	66 667	**79 811**	1 949	38 492	**40 441**
Property, plant and equipment	5 445	39 237	**44 682**	8 245	41 896	**50 141**
Intangible assets	-	36 050	**36 050**	-	33 826	**33 826**
Other assets	19 332	820	**20 152**	651	12 869	**13 520**
Total	**1 391 922**	**836 421**	**2 228 343**	**1 225 389**	**750 535**	**1 975 924**
Due to credit institutions	(39 756)	(15 692)	**(55 448)**	(74 953)	(12 171)	**(87 124)**
Derivative financial liabilities	-	-	**-**	(121)	-	**(121)**
Due to customers	(777 289)	(707 603)	**(1 484 892)**	(803 671)	(531 773)	**(1 335 444)**
Debt securities issued	(35 414)	(17 203)	**(52 617)**	(41 624)	(16 493)	**(58 117)**
Current income tax liabilities	(3 341)	-	**(3 341)**	(167)	-	**(167)**
Deferred income tax liabilities	-	(22 785)	**(22 785)**	-	(14 521)	**(14 521)**
Other liabilities	(41 489)	(301)	**(41 790)**	(24 027)	(1 334)	**(25 361)**
Subordinated debt	(1 074)	(47 544)	**(48 618)**	(39)	(32 457)	**(32 491)**
Total	**(898 363)**	**(811 128)**	**(1 709 491)**	**(944 602)**	**(608 744)**	**(1 553 346)**
Net position	**493 559**	**25 293**	**518 852**	**280 787**	**141 791**	**422 578**

Overdue loans to customers in the amount of BYN 6 687 thousand as at December 31, 2022 (December 31, 2021: BYN 6 835 thousand) were included in the loans to customers with a maturity of more than one year.

The Bank's management believes that in case of early repayment of due to customers, the Bank will be able to dispose its liquid assets to make the necessary payments. Beside that the Management of the Bank believes that if the financing from its counterparty banks decreases the Bank will get support from the shareholders. The Bank also has access to constantly operating instruments for regulating liquidity on behalf of the regulator.

For the categories of financial assets and financial liabilities the expected periods differ from the contractual ones.

(in thousands of Belarusian rubles)

Due to customers - the Bank’s liquidity management includes an assessment of the minimum required balance on current (settlement) customer accounts, that is, the funds attracted in an amount that takes into account stable relationships with customers, which is determined using statistical methods applied to historical data on fluctuations in customer account balances for at least 30 days prior to the date of analysis. Due to this, liabilities to repay due to customers with the maturity over one year are mostly comprised of semi-fixed balance of due to customers.

28. Related party transactions

In accordance with IAS 24 – Related Party Disclosures, the Bank treats parties as related when the parties are able to control or significantly influence to the Bank's operating and financial decisions (shareholders, entities under common control, key management personnel). In considering each possible related party relationship, attention is directed to the substance of the relationship not merely the legal form.

The Bank enters into banking transactions with related parties including but not limited to lending, deposit taking, cash settlement, foreign exchange, providing guarantees, as well as securities and derivative transactions.

The outstanding balances of related party transactions are as follows:

	Total 2022			
	Shareholders	***Entities under common control***	***Key management personnel***	***Other related parties***
Loans to customers as at December 31	-	18 747	184	105
Allowance for ECL	-	(100)	(2)	(1)
Loans to customers less allowance for ECL	**-**	**18 647**	**182**	**104**
Term deposits as at December 31	-	416	1 978	226
Current customer accounts as at December 31	2 884	1 444	1 887	308

	Total 2021			
	Shareholders	***Entities under common control***	***Key management personnel***	***Other related parties***
Loans to customers as at December 31	4	2 311	59	71
Allowance for ECL	-	(7)	-	-
Loans to customers less allowance for ECL	**4**	**2 304**	**59**	**71**
Term deposits as at December 31	-	269	1 781	52
Current customer accounts as at December 31	137	396	962	470

	Shareholders	***Entities under common control***	***Key management personnel***	***Other related parties***
Subordinated debt as at December 31, 2022	**45 882**	**-**	**-**	**-**
Loan commitments as at December 31	-	-	415	62
Guarantees as at December 31	-	-	-	-
Other liabilities − accrual of unused vacation liabilities	-	-	993	-

(in thousands of Belarusian rubles)

	Shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Subordinated debt as at December 31, 2021	**29 945**	**-**	**-**	**-**
Loan commitments as at December 31	-	4 842	247	64
Guarantees as at December 31	-	-	-	-
Loss allowance for financial guarantees	-	-	-	-
Other liabilities − accrual of unused vacation liabilities	-	-	411	-

The average-weighted contract rate on loans to related parties in 2022 was 8,64% (in 2021: 8,58%). In general, loans are represented by long-term non-revolving credit lines, mainly denominated in foreign currency. The average-weighted contract rate on deposits in 2022 was 3,79 % (in 2021: 3,62%). During the reporting period, the Bank mainly attracted short-term deposits, commonly denominated in foreign currency.

The income and expenses arising from related party transactions are as follows:

	Total 2022			
	Shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Interest income on loans to customers	-	1 112	19	17
Interest expenses on subordinated debt	(2 439)	-	-	-
Interest expenses on customer accounts	(48)	(38)	(22)	(21)
Changes in loss allowance	-	(22)	(2)	-
Fee and commission income	-	9	5	5
Income from foreign exchange operations	1	2	-	-
Personnel expenses	-	-	10 376	-

	Total 2021			
	Shareholders	*Entities under common control*	*Key management personnel*	*Other related parties*
Interest income on loans to customers	-	-	5	8
Interest expenses on subordinated debt	(1 932)	-	-	-
Interest expenses on customer accounts	(48)	(50)	(8)	-
Recovery of loss allowance	-	(74)	-	-
Fee and commission income	-	349	5	3
Income from foreign exchange operations	-	3	-	-
Personnel expenses	-	-	7 660	-

Compensation to key management personnel is disclosed below:

	Total 2022	***Total 2021***
Salaries and other short-term employee benefits	8 629	6 324
Social contributions	1 747	1 336
Total key management personnel compensation	**10 376**	**7 660**

Information on remuneration to Supervisory Board members is disclosed in Note 24.

29. Capital adequacy

The Bank actively manages the capital base to cover risks inherent in its business. The Bank's capital adequacy is monitored using among other methods the ratios established by the Basel Capital Accord dated 1988 and the ratios established by the National Bank when observing the Bank.

(in thousands of Belarusian rubles)

As at December 31, 2022 and 2021 the Bank fully complied with all external capital requirements established.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize the Bank's value.

The Bank manages its capital structure and makes adjustments to it taking into account changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payments to the shareholders, return capital to shareholders or issue equity securities. No changes were made in the objectives, policies and processes compared to the previous years.

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

According to the requirements of the National Bank of the Republic of Belarus, the capital adequacy ratio of the Bank, taking into account the conservation buffer and the buffer of systemic significance, must be maintained at a level not lower than 12,50% of the amount of risk-weighted assets, which are calculated in accordance with the requirements of the legislation of the Republic of Belarus. In accordance with Resolution of the Board of the National Bank of the Republic of Belarus dated September 18, 2020No. 298 ''On certain issues of regulating the activities of banks in 2021'', the normative value of regulatory capital adequacy, taking into account buffers, was set at 12,0%. As at December 31, 2022 and 2021 the Bank's capital adequacy ratio calculated on the abovementioned basis was as follows:

	Total 2022	***Total 2021***
Principal capital	308 835	299 986
Additional capital	148 855	90 635
Total equity	**457 690**	**390 621**
Risk-weighted assets	**2 689 071**	**2 517 311**
Capital adequacy ratio	17.02%	15,52%

Capital adequacy ratio under Basel Capital Accord 1988

As at December 31, 2022 and 2021 the Bank's capital adequacy ratio, calculated in accordance with the Basel Capital Accord dated 1988 using a standardized approach and taking into account subsequent amendments related to including market risks, comprised:

	Total 2022	***Total 2021***
Tier 1 capital	480 848	387 336
including share capital	110 426	110 426
retained earnings	407 440	311 538
Capital investments	(968)	(802)
Intangible assets	(36 050)	(33 826)
Tier 2 capital	47 461	31 845
including subordinated debt, taken into account in the calculation of capital	*46 476*	*31 231*
revaluation reserve of investment securities	*947*	*614*
Revaluation reserve of property, plant and equipment	*39*	*-*
Total equity	**528 309**	**419 181**
Risk-weighted assets	**2 018 480**	**1 711 779**
Tier 1 capital adequacy ratio	23,82%	22,63%
Total capital adequacy ratio	26,17%	24,49%

Calculation of capital adequacy under the provisions of the Basel Capital Accord is based on the financial statements prepared in accordance with IFRS.

(in thousands of Belarusian rubles)

Difference in the amounts of risk-weighted assets that are used in the calculation of capital adequacy under the requirements of the National Bank of the Republic of Belarus and provisions of the Basel Capital Accord arises as a result of adjustments of financial statements due to the differences in the accounting policies.

30. Subsequent events

The trends of slowing down inflationary processes and lowering the level of interest rates continued in the economy of the Republic of Belarus at the beginning of 2023.

Consumer inflation in annual terms in January 2022 was 12 percent against 12.8 percent at the end of 2022.

From January 23, 2023, the refinancing rate of the National Bank was reduced by 0.5 percentage points to 11.5 percent, from March 1 – by another 0.5 percentage points to 11.0 percent.

Dividends in the amount of BYN 43 836 thousand were paid on February 15, 2023 based on the decision of the General Meeting of Shareholders of CJSC “MTBank”.