

Translation from original in Russian

BELGAZPROMBANK

Financial statements

*for the year ended 31 December 2022
together with the independent auditor's report*

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Independent Auditors' Report

To the Shareholders and Management of Belgazprombank OJSC

Audit opinion

We have audited the financial statements of Belgazprombank OJSC (hereinafter referred as the “Bank” or the “audited entity”) (location: 60/2 Pritytskogo street, Minsk, Republic of Belarus 220121; date of state registration: 19 August 1991, registration number in the Unified State Register of Legal Entities and Individual Entrepreneurs: 100429079), which comprise the statement of financial position as at 31 December 2022, the income statements, statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

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

Basis for Audit Opinion

We conducted our audit in accordance with the requirements of the Law of the Republic of Belarus № 56-Z dated 12 July 2013 "On Auditing" (with subsequent amendments and additions), the Instruction “On Regulation of Auditing Activities in Banks, Bank Groups and Bank Holdings”, approved by the Resolution of the Board of the National Bank of the Republic of Belarus dated 11 December 2019 No. 495 (with subsequent amendments and additions), and national rules on auditing effective in the Republic of Belarus, and International Standards on Auditing (ISAs). Our responsibilities under those requirements and standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our audit opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for expected credit losses for loans to corporate customers

Please refer to Note 6 Allowance for expected credit losses, Note 17 Loans to customers and Note 37 Risk management policies in the financial statements.

The key audit matter	How the matter was addressed in our audit
<p>Loans to corporate customers measured at amortised cost represent 45% of total assets and are stated net of allowance for expected credit losses (hereinafter, the "ECL") that is estimated on a regular basis and is sensitive to assumptions used.</p> <p>To estimate ECL management needs to apply professional judgement and to make assumptions related to the following key areas:</p> <ul style="list-style-type: none"> - timely identification of a significant increase in credit risk and default events related to loans to customers (allocation between Stages 1, 2 and 3 in accordance with IFRS 9 <i>Financial Instruments</i> (hereinafter, "IFRS 9")); - assessment of probability of default (PD) and loss given default (LGD); - assessment of add-on adjustment to account for different scenarios and forward-looking information; - expected cash flows forecast for loans to customers classified in Stage 3 and those purchased or originated credit-impaired loans. <p>Due to the significant volume of loans to corporate customers and the related ECL allowance estimation uncertainty, this area is a key audit matter.</p>	<p>We analysed the key aspects of the Bank's methodology and policies related to ECL estimates for compliance with the requirements of IFRS 9, including involvement into the analysis of financial risks management specialists.</p> <p>Our audit procedures over the input data and calculations of ECL include the following:</p> <ul style="list-style-type: none"> - For a sample of loans to corporate borrowers, we analysed financial and non-financial information, as well as professional judgments applied by the Bank to assess whether the sampled items are appropriately classified into stages and the rating assigned by the Bank for borrowers, and also tested input data used in the rating models. - For a sample of loans and borrowers where no individual credit rating is assigned and ECL are assessed collectively based on whether and for how long they are overdue, we tested the operating principles of the respective models, and also compared the model's input data with the primary documents on a sample basis. - We assessed the design and tested the operating effectiveness of controls over the calculation of internal ratings and the timely transfer of overdue debts to the appropriate accounts for overdue debts. - We assessed the overall predictive capability of the Bank's ECL valuation models by comparing the estimate made as at 1 January 2022 with the actual results for 2022. - We analysed the overall adequacy of the add-on adjustment to account for different scenarios and forward-looking information by comparing with our own estimate considering current and future economic situation and business environment of the relevant categories of borrowers. - For a sample of Stage 3 credit-impaired loans to corporate customers, where ECL are assessed individually, we critically assessed assumptions used by the Bank to forecast future cash flows, including estimated proceeds from realisable collateral and its expected disposal terms based on our understanding and publicly available market information. We specifically focused on loans to customers for which a potential change in the ECL allowance may have the most significant impact on the financial statements. <p>We also assessed whether the financial statements disclosures appropriately reflect the Bank's exposure to credit risk. In addition, we reviewed whether the disclosures of key judgments and assumptions are sufficiently informative.</p>

Other matters

The financial statements of the Bank as at 31 December 2021 and for 2021 were audited by other auditors who expressed an unmodified audit opinion on those statements on 25 February 2022.

Responsibilities of the Audited Entity for the Preparation of the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the requirements of the Law of the Republic of Belarus dated 12 July 2013 No. 56-Z "On Auditing" (with subsequent amendments and additions), the Instruction "On Regulation of Auditing Activities in Banks, Bank Groups and Bank Holdings", approved by Resolution of the Board of the National Bank of the Republic of Belarus dated 11 December 2019 No. 495 (with subsequent amendments and additions), national rules on auditing effective in the Republic of Belarus, and 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 relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Engagement Partner, Director




Irina Vladimirovna Vereschagina
(Auditor's Qualification Certificate 0000580)

Engagement Manager

Olga Viktorovna Stanovaya
(Auditor's Qualification Certificate 0002468)

Limited Liability Company "Kept"

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

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

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

Minsk, Belarus

7 March 2023

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

Independent Auditors' Report received:	Date 7 March 2023
I. O. Potapova, Chairman of the Board	(signature)

Income statement**For the year ended 31 December 2022***(in thousands of Belarusian rubles)*

	<i>Notes</i>	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Interest income calculated using the effective interest rate method	5, 33	298,592	282,414
Other interest income	5, 33	7,575	7,317
Interest expenses	5, 33	(142,014)	(130,756)
Net interest income		164,153	158,975
Charge of allowances for expected credit losses on financial assets	6, 33	(64,346)	(16,938)
Net interest income after charge of allowances for expected credit losses on financial assets		99,807	142,037
Net loss from initial recognition of interest bearing financial instruments	17, 18	(8,412)	(6,137)
Net gain/(loss) from investment securities at fair value through other comprehensive income reclassified to income statement		167	(582)
Net gain from foreign exchange operations	7	83,911	32,415
Net gain/(loss) from trading operations	8, 33	9,906	(7,896)
Fee and commission income	9, 33	118,179	101,203
Fee and commission expenses	9, 33	(35,882)	(23,349)
Net gain from operations with precious metals	10	303	307
(Charge)/recovery of provisions for expected credit losses on credit related commitments and contingent liabilities	6	(1,076)	243
Other income	11	10,806	12,632
Net non-interest income		177,902	108,836
Operating income		277,709	250,873
Operating expenses	12, 33	(159,019)	(160,534)
Profit before tax		118,690	90,339
Income tax expense	13	(27,973)	(12,905)
Net profit		90,717	77,434
Basic and diluted earnings per share (BYN)	29	0.0026	0.0022

On behalf of the Management Board of the Bank:


Chairman of the Management Board
I.O. Potapova

7 March 2023
Minsk



Chief Accountant
N.A. Samusevich

Statement of comprehensive income
For the year ended 31 December 2022

(in thousands of Belarusian rubles)

	<i>Notes</i>	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Net profit	29	<u>90,717</u>	<u>77,434</u>
Other comprehensive income/(loss)			
Items that are or may be reclassified subsequently to profit and loss			
Change in fair value of investment securities transferred to profit and loss		(167)	582
Change in allowances for expected credit losses on investment securities	18	31,158	(2,716)
Change in fair value of investment securities at fair value through other comprehensive income		16,525	(28,941)
Income tax	13	(94)	13
Total other comprehensive income/(loss)		<u>47,422</u>	<u>(31,062)</u>
Total comprehensive income		<u>138,139</u>	<u>46,372</u>

On behalf of the Management Board of the Bank:



Chairman of the Management Board
 I.O. Potapova

7 March 2023
 Minsk



Chief Accountant
 N.A. Samusevich

Statement of financial position**As at 31 December 2022***(in thousands of Belarusian rubles)*

	<i>Notes</i>	<i>31 December 2022</i>	<i>31 December 2021</i>
Assets			
Cash and cash equivalents	14, 33	984,815	705,508
Securities at fair value through profit and loss	15	89,993	75,850
Derivative financial instruments, assets	33	108	22
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	16, 33	29,767	25,841
Loans to customers	17, 33	2,336,480	2,425,097
Investment securities	18	472,769	412,050
Non-current assets held for sale	19	21,834	16,574
Property, equipment, intangible and right-of-use assets	20	156,021	164,077
Current income tax assets		1,234	-
Deferred income tax assets	13	-	5,787
Other assets	21, 33	84,078	17,282
Total assets		4,177,099	3,848,088
Liabilities and equity			
Liabilities			
Derivative financial instruments, liabilities	33	3	206
Loans from the National Bank of the Republic of Belarus	22	-	74,891
Due to banks and other financial institutions	23, 33	743,049	786,127
Due to customers	24, 33	2,293,119	1,977,193
Debt securities issued	25	22,080	32,162
Current income tax liabilities		-	2,940
Deferred income tax liabilities	13	9,944	-
Other liabilities	26, 33	45,477	26,470
Subordinated debt	27, 33	192,584	174,702
Total liabilities		3,306,256	3,074,691
Equity			
Share capital	28	535,944	535,944
Investment securities revaluation reserve		37,092	(10,330)
Retained earnings		297,807	247,783
Total equity		870,843	773,397
Total liabilities and equity		4,177,099	3,848,088

On behalf of the Management Board of the Bank:



Chairman of the Management Board
I.O. Potapova

7 March 2023
Minsk



Chief Accountant
N.A. Samusevich

The notes on pages 7-91 form an integral part of these financial statements.

Statement of changes in equity**For the year ended 31 December 2022***(in thousands of Belarusian rubles)*

	Notes	Share capital	Investment securities revaluation reserve	Retained earnings	Total equity
31 December 2020		535,944	20,732	170,349	727,025
Net profit	29	-	-	77,434	77,434
Other comprehensive loss, net of income tax					
Investment securities revaluation reserve					
Net change in fair value		-	(28,928)	-	(28,928)
Net change in fair value of investment securities transferred to profit and loss		-	582	-	582
Recovery of allowances for expected credit losses on investment securities	6	-	(2,716)	-	(2,716)
Total other comprehensive loss		-	(31,062)	-	(31,062)
Total comprehensive income for the year		-	(31,062)	77,434	46,372
Transactions with shareholders					
Dividends declared and paid after 2020	28	-	-	-	-
Total transactions with shareholders		-	-	-	-
31 December 2021	28	535,944	(10,330)	247,783	773,397
Net profit	29	-	-	90,717	90,717
Other comprehensive income, net of income tax					
Investment securities revaluation reserve					
Net change in fair value		-	16,431	-	16,431
Net change in fair value of investment securities transferred to profit and loss		-	(167)	-	(167)
Charge of allowances for expected credit losses on investment securities	18	-	31,158	-	31,158
Total other comprehensive income		-	47,422	-	47,422
Total comprehensive income for the year		-	47,422	90,717	138,139
Transactions with shareholders					
Dividends declared after 2021	28	-	-	(40,693)	(40,693)
Total transactions with shareholders		-	-	(40,693)	(40,693)
31 December 2022	28	535,944	37,092	297,807	870,843

On behalf of the Management Board of the Bank:



Chairman of the Management Board
I.O. Potapova

7 March 2023
Minsk



Chief Accountant
N.A. Samusevich

Statement of cash flows**For the year ended 31 December 2022***(in thousands of Belarusian rubles)*

	<i>Notes</i>	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Cash flows from operating activities			
Net profit	29	90,717	77,434
Adjustments			
Charge of allowances for expected credit losses on financial assets	6	64,346	16,938
Charge/(recovery) of provisions for expected credit losses on credit related commitments and contingent liabilities		1,076	(243)
Loss from initial recognition of interest bearing financial instruments	17, 18	8,412	6,137
Net change in the fair value of derivatives		(105)	184
Net change in fair value of securities at fair value through profit and loss	8	(8,575)	12,476
Impairment of non-current assets held for sale	19	(1,516)	1,818
Depreciation and amortization	12, 20	17,291	18,505
(Profit)/loss from sale of property, equipment and non-current assets held for sale	11, 12	(1,202)	3,116
Impairment of property and equipment	20	1,732	-
Net change in payroll obligations		(271)	(578)
Net interest income	5	(164,153)	(158,975)
Net change in fee and commission income accrued and penalties		377	(154)
(Income)/loss from disposal of investment securities		(167)	582
Income tax expense	13	27,973	12,905
Translation differences, net	7	(5,772)	(8,441)
Cash flows from operating activities before changes in operating assets and liabilities		30,163	(18,296)
Changes in operating assets and liabilities			
<i>(Increase)/decrease in operating assets</i>			
Minimum mandatory reserve deposit with the National Bank of the Republic of Belarus		(3,176)	2,263
Due from the National Bank of the Republic of Belarus, banks and other financial institutions		(8,272)	1,333
Securities at fair value through profit and loss		(22)	(86)
Derivative financial instruments		(184)	(161)
Loans to customers		74,587	362,970
Non-current assets held for sale		9,394	1,704
Other assets		(68,427)	4,955
<i>Increase/(decrease) in operating liabilities</i>			
Loans from the National Bank of the Republic of Belarus		(77,480)	(320,520)
Due to banks and other financial institutions		88,374	20,518
Due to customers		260,205	93,410
Other liabilities		11,733	6,731
Total change in operating assets and liabilities		286,732	173,117
Interest received		311,060	298,449
Interest paid		(138,136)	(127,127)
Income tax paid		(16,510)	(6,459)
Net cash inflow from operating activities		473,309	319,684

The notes on pages 7-91 form an integral part of these financial statements.

Statement of cash flows (continued)**For the year ended 31 December 2022***(in thousands of Belarusian rubles)*

	<i>Notes</i>	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Cash flows from investing activities			
Purchase of property, equipment and intangible assets		(15,498)	(18,133)
Proceeds from sale of property, equipment and non-current assets held for sale, other property		580	403
Purchase of investment securities		(56,209)	(110,474)
Proceeds from sale and repayment of investment securities		20,443	25,688
Net cash outflow from investing activities		(50,684)	(102,516)
Cash flows from financing activities			
Repayment of syndicated loans	31	(123,705)	-
Proceeds from debt securities issued	31	10,093	113,785
Repayment of debt securities issued	31	(21,906)	(160,414)
Repayment of loans received from international financial institutions	31	(10,648)	(16,056)
Lease payments	26	(1,185)	(1,025)
Dividends paid	28	(40,693)	-
Net cash outflow from financing activities		(188,044)	(63,710)
Net change in cash and cash equivalents		234,581	153,458
Effect of exchange rate changes on cash and cash equivalents		45,024	(3,057)
Effect of changes in expected credit losses on cash and cash equivalents	14	(298)	(222)
Cash and cash equivalents, beginning of the year	14	705,508	555,329
Cash and cash equivalents, end of the year	14	984,815	705,508

On behalf of the Management Board of the Bank:


Chairman of the Management Board
I.O. Potapova

7 March 2023
Minsk



Chief Accountant
N.A. Samusevich

(in thousands of Belarusian rubles)

1. Organization

Belorussian-Russian Belgazprombank Joint Stock (hereinafter, "Belgazprombank" or the "Bank"), initially named as Commercial Bank Ekorazvitie, was established in 1990. Subsequently, the Bank's name was changed for Bank Olymp. After the acquisition of controlling interest by PJSC Gazprom (subsequently, renamed to PJSC Gazprom) (Russian Federation) and CJSC "Gazprombank" (subsequently, renamed to Gazprombank (Joint Stock Company) (Russian Federation), the Bank was reorganized into Belorussian-Russian Belgazprombank Joint Stock and was registered by the National Bank of the Republic of Belarus on 28 November 1997.

The Bank conducts its business under the license for performing banking operations No. 8 issued by the National Bank of the Republic of Belarus on 8 July 2020. The Bank accepts deposits from the public and organizations, grants loans, transfers payments in the Republic of Belarus and abroad, exchanges currencies, carries out operations with securities and provides other banking services to its corporate customers and individuals.

The registered office of the Bank is located at: 60/2 Pritytsky St., 220121, Minsk, Republic of Belarus.

As at 31 December 2022 and 31 December 2021, the structure of the Bank's share capital was as follows:

Shareholders	Ownership interest
PJSC Gazprom (Russian Federation)	49.818
Gazprombank (Joint Stock Company) (Russian Federation)	49.818
OJSC "Gazprom transgaz Belarus" (Republic of Belarus)	0.266
State Committee on Property of the Republic of Belarus	0.097
Other	<u>less than 0.001</u>
Total	<u><u>100.000</u></u>

The ultimate controlling party of the Bank is the Government of the Russian Federation represented by the Federal Agency for state property management (Rosimuschestvo).

These financial statements were authorized for issue by the Chairman of the Management Board and the Chief Accountant of the Bank on 7 March 2023.

2. Significant accounting policies

Statement of compliance

These financial statements were prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS").

Principles of preparation and presentation

These financial statements were prepared under the assumption that the Bank is a going concern and will continue to operate for the foreseeable future. The Management and Shareholders intend to further develop the business of the Bank in the Republic of Belarus. The Management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy ratio and based on the historical experience that short-term obligations will be refinanced in the normal course of business.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Principles of preparation and presentation (continued)

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

These financial statements were prepared on a historical cost basis, except for certain non-cash items that originated before 31 December 2014, which were recognized in accordance with the International Accounting Standard 29 *Financial Reporting in Hyperinflationary Economies* (IAS 29), and certain assets, such as securities at fair value through profit and loss, derivative financial instruments, investment securities at fair value through other comprehensive income, and non-current assets held for sale reported at the lower of carrying amount and fair value less costs to sell. During 2014 and the prior years, the economy of the Republic of Belarus was considered to be hyperinflationary in accordance with IAS 29. Starting 1 January 2015, the economy of the Republic of Belarus is no longer considered hyperinflationary, thus the cost of non-monetary assets, liabilities and equity of the Bank presented in measuring units as at 31 December 2014, was used to form the opening balances as at 1 January 2015.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The Bank maintains its accounting records in accordance with the legislation of the Republic of Belarus. These financial statements were prepared on the basis of accounting records maintained in accordance with Belarusian accounting rules and were adjusted to conform to IFRS.

The Bank generally presents its statement of financial position items in order of liquidity. The analysis regarding the recovery of financial assets or repayment of financial liabilities within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in Note 37.

Recognition of interest income and expenses

Effective interest rate

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

- Gross carrying amount of the financial asset; or
- 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 expected credit losses (hereinafter "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 effective interest rate calculation includes transaction costs as well as fees and charges paid or received that form an integral part of the effective interest rate. Transaction costs include additional expenses directly attributable to the acquisition or issue of the financial asset or 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 credit loss allowance.

Gross carrying amount of a financial asset measured at amortized cost is the amortized cost of the financial asset before adjustment for the amount of the loss allowance.

Calculation of interest income and expenses

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. When calculating interest income and expenses the effective interest rate is applied to the amount of the asset gross carrying amount (when the asset is not credit-impaired) or 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.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Recognition of interest income and expenses (continued)

For financial assets that became 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 a financial asset is no longer credit-impaired, interest income is calculated based on gross carrying amount.

For financial assets that were credit-impaired at initial recognition interest income is calculated through applying the effective interest rate adjusted for credit risk to the amount of the financial asset amortized cost. For such assets interest income is not calculated based on gross carrying amount even if the related credit risk subsequently decreases.

Presentation

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

Interest income on financial assets measured at amortized cost (including fees and commission for loan-maintenance, fees and commission from contractual counterparties on the credit cards with installment payment plans, on Delay consumer loans, and also the related loan granting direct costs, built-in the calculation of the loans' effective interest rate);

Interest on debt instruments measured at fair value through other comprehensive income (FVOCI).

Other interest income presented in the income statement includes interest income on non-derivative debt financial instruments measured at fair value through profit and loss (FVPL) and net investments in finance leases.

Interest expenses presented in the income statement include:

Interest expenses on financial liabilities measured at amortized cost;

Financial expenses on lease liabilities.

Recognition of income under repurchase and reverse repurchase agreements

In the normal course of business, the Bank enters into sale and repurchase agreements ("repos") as well as purchase and sale back agreements of financial assets ("reverse repos").

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other compensation and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest.

Gain/loss on the sale and repurchase ("repo") and reverse repurchase agreements ("reverse repo") is recognized as interest income or expense in the income statement based on the difference between the repurchase price to date using the effective interest rate method and the sale price when such instruments are sold to the counterparty. When a repo (reverse repo) is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

*(in thousands of Belarusian rubles)***2. Significant accounting policies (continued)****Recognition of fee and commission income**

Loan servicing fees that are not part of the effective interest rate are recognized as the services are provided. Commission fees for transactions are recognized at the time the transaction is being performed.

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. In this case 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.

Revenue recognition policy

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

The table below contains the information about the types and terms of the obligations that are to be fulfilled within the framework of contracts with customers, including significant payment terms and relevant accounting policies with respect to revenue recognition.

Type of service	Types and terms of the obligations that are to be fulfilled, including significant payment terms	Revenue recognition according to IFRS 15
Retail and corporate banking	<p>The Bank provides banking services to corporate and retail customers, including current accounts maintenance, overdrafts granting, foreign currency exchange operations, issue and servicing of credit cards. Fees for the current accounts maintenance are withdrawn from the customer's account on a monthly basis. The Bank establishes rates on banking services separately for retail and corporate customers on an annual basis.</p> <p>The fees for the currency exchange operations, the operations with foreign currency, overdrafts granting are withdrawn from the customer's account at the moment of the transaction is being performed. Fees for current maintenance are charged on the monthly basis at fixed rates, that are annually reviewed by the Bank.</p>	<p>Fees for the maintenance of bank accounts are recognized over the period of the service being provided.</p> <p>Fees for a transaction are recognized at the moment when the relevant transaction is performed.</p>
Investment banking	<p>The Bank provides services connected with the customer transactions with foreign currency. Fees for transactions are charged at the time of the transaction.</p>	<p>Amounts due from customers are recognized as trade receivables. Fees for a transaction are recognized at the moment when the relevant transaction is performed.</p>

Recognition of dividend income

Dividend income from investments is recognized when the Bank's right to receive dividends has been established (provided there is a high probability that the economic benefits will flow to the Bank and the amount of income can be measured reliably).

Recognition of lease income and expenses

The Bank's policy for recognition of lease income and expenses is disclosed in the Leases section of this note.

Recognition of trading income and expenses

Trading income and expenses are recognized in profit and loss as trading transactions are carried out. They include:

- Income and expenses from securities measured at fair value through profit and loss;
- Income and expenses from derivative financial instruments.

*(in thousands of Belarusian rubles)***2. Significant accounting policies (continued)****Recognition of expenses on contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits**

According to the legislation of the Republic of Belarus, the Bank makes contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits, whose activity is aimed at the protection of rights and legitimate interests of the individuals.

Financial assets and financial liabilities

The Bank recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligations of the financial instrument. Financial assets purchased and sold on an ongoing basis are recognized on a settlement date.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets or financial liabilities, respectively, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit and loss are recognized directly in profit and loss.

Financial assets and financial liabilities are set off and the net amount is reported in the statement of financial position only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expense are not offset in the income statement unless required or permitted by any standard or corresponding interpretation, and are specifically disclosed in the accounting policies of the Bank.

Financial assets classification

On initial recognition, financial assets are classified as measured at amortized cost or at FVOCI or at FVPL.

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

- the financial asset is held within a business model with the objective 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) on the principal amount outstanding.

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

- it 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 on the principal amount outstanding.

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

- interest income calculated using the effective interest rate method;
- ECL and recovered impairment losses; and
- gains and losses from changes in exchange rates.

On derecognition of a debt financial asset measured at FVOCI, accumulated profit or loss that were previously recognized in other comprehensive income are reclassified from equity to profit and 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 for each investment separately.

For such equity instruments gains and losses are never reclassified into profit and loss and no impairment is recognized in profit and loss. Dividends are recognized in profit and loss unless they clearly represent a recovery of part of the initial cost of the investment, in which case they are recognized in other comprehensive income. Cumulative gains and losses recognized in other comprehensive income are transferred to retained earnings on disposal of an investment.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Financial assets classification (continued)

All other financial assets are classified as measured at FVPL.

In addition, on initial recognition the Bank may irrevocably designate a financial asset that meets the requirements to be measured at amortized cost or at FVOCI as at FVPL 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 is provided to management. The information considered by the Bank includes:

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 how those risks are managed;

the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered independently, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment 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 on initial recognition. Interest is defined as consideration for the time value of money, 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 a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI criterion) on the outstanding principal, the Bank will consider the contractual terms of the financial instrument. This will include assessing whether the financial asset contains a contractual term that could change the time periods or amount of contractual cash flows such that it would not meet this condition.

In making the assessment, the Bank considers:

contingent events that would change the amount and time periods of cash flows;

leverage features;

prepayment and extension terms;

terms that limit the Bank's claim to cash flows from specified assets;

features that modify consideration for the time value of money (e.g., periodic revision of interest rates).

The Bank holds a portfolio of long-term fixed rate loans for which the Bank has the option to revise the interest rate following the change of key rate set by the National Bank. The borrowers have an option to either accept the revised rate or redeem the loan at par without significant penalty. The Bank has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that interest represents consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding. Thus, the Bank treats these loans as essentially those with a variable interest rate.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and deposit accounts with the National Bank of the Republic of Belarus in accordance with legislation requirements, with original maturity of up to 90 days, due from banks with original maturity of up to 90 days, which may be freely converted to a corresponding amount of cash within a short period of time, except for guarantee deposits and other restricted balances.

Mandatory cash reserves with the National Bank of the Republic of Belarus

Mandatory cash reserves with the National Bank of the Republic of Belarus are mandatory reserves deposited with the National Bank in accordance with the applicable legislation which are not available to finance day to day operations of the Bank. Hence, they are not considered as part of cash and cash equivalents.

Financial assets measured at fair value through profit and loss

A financial asset is classified as at fair value through profit and loss when the financial asset is either held for trading or is designated as at fair value through profit and loss at initial recognition.

A financial asset is classified as held for trading if:

It has been acquired principally for the purpose of selling it in the near future; or

On initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term purchases and resale; or

It is a derivative (except for derivatives that are financial guarantees or classified as effective hedging instruments).

Financial assets measured at fair value through profit and loss are stated at fair value, with any remeasurement recognized in profit and loss. Fair value is determined in the manner described in Note 35.

Derivative financial instruments

The Bank uses the following derivative financial instruments (derivatives): foreign currency forwards, forward securities contracts with open and fixed delivery date, precious metals swap contracts. These instruments are used by the Bank to manage its exposure to foreign exchange rate and price risks.

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently remeasured at their fair value at the end of each reporting period. As foreign currency forwards and precious metal swaps do not have an active market in the Republic of Belarus, their fair value is measured using the interest rates parity model. The resulting gains or losses are recognized in financial results.

Investment securities

Investment securities are debt investment securities measured at FVOCI and equity investments.

The fair value of investment securities denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate at the reporting date. Currency exchange differences recognized in profit and loss are calculated using the amortized cost of the monetary asset. Currency exchange differences on equity instruments, whose subsequent changes in fair value the Bank reflects in other comprehensive income, are recognized in other comprehensive income.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Loans to customers

Loans to customers include:

- Loans to customers measured at amortized cost (Note 17). They are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method; and
- Net investments in finance lease (Note 17).

Financial assets impairment

The Bank recognizes allowances for ECL on the following financial instruments that are not measured at FVPL:

- Cash equivalents;
- Due from the National Bank of the Republic of Belarus, banks and other financial institutions;
- Financial assets that are debt instruments;
- Net investment in finance leases;
- Other financial assets;
- Financial guarantee contracts issued; and
- Loan commitments issued.

No impairment loss is recognized on equity investments.

The Bank recognizes allowances for ECL at an amount equal to lifetime ECL, except for the following financial instruments, for which they are recorded as 12-month ECL:

- Low credit risk assets at the reporting date;
- Other financial instruments for which credit risk has not increased significantly since initial recognition.

The Bank's approach to assessment of ECL on financial instruments, significant increase of credit risk and the definition of default are disclosed in Note 37.

Measurement of ECL

ECL are a default probability weighted estimation of credit losses.

They are measured as follows:

Financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls (i.e., the difference between the contractual cash flows due to the Bank and the cash flows that the Bank expects to receive: the present value of cash flows, calculated using the effective interest rate method (hereinafter, the "EIR"));

Financial assets that are credit-impaired at the reporting date: 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 that are due to the Bank if the commitment is drawn down by the borrower and the cash flows that the Bank expects to receive, if the commitment is drawn down; and

Financial guarantee contracts: the present value of the expected payments to reimburse the holder's credit losses less any amounts that the Bank expects to recover.

The ECL model applied by the Bank is disclosed in Note 37.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Financial assets impairment (continued)

Restructured financial assets

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

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

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

Where possible, the Bank strives to restructure loans rather than to collect the collateral. This may involve extending of the payment arrangements and the renegotiation of new loan conditions. If the financial instrument is not derecognized, once the terms have been renegotiated, any impairment of ECL is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

The information about the influence of financial assets' restructuring on the credit risk increase estimation and the estimation of the default customers is disclosed in Note 37. The information about loans to customers that were modified during the period and, as a result, recorded as renegotiated loans, with the modification loss incurred by the Bank, is presented in Note 17.

Credit-impaired financial assets

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

The list of impairment events used by the Bank when analyzing borrowers is presented in Note 37.

A loan the terms of which were renegotiated due to an adverse change of the borrower's financial condition is usually considered credit-impaired if there is no evidence that the risk of not receiving contractual cash flows has decreased significantly and there are no other indicators of impairment. Additionally, credit-impaired loans include retail loans overdue by more than 90 days.

Purchased or originated credit-impaired assets (POCI assets)

POCI assets are assets that are credit-impaired on initial recognition.

POCI assets include the following assets of the Bank:

new financial assets provided by the Bank as part of a credit-impaired asset restructuring (replacement of a credit-impaired asset with another asset having a similar credit risk grade);

assets that are originated upon derecognition of a financial asset due to a significant modification of contractual terms as part of credit-impaired financial assets restructuring;

acquired credit-impaired financial assets.

No loss allowance is created for POCI assets on their initial recognition. Instead, the amount of lifetime expected credit losses is included into the EIR.

The information about assessing whether financial assets should be defined as POCI assets and the measurement of the allowance for credit losses calculated under the model of ECL on POCI assets is presented in Note 37.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Financial assets impairment (continued)

To calculate the EIR for acquired or originated credit-impaired financial assets expected cash flows are used taking into account the initial estimate of lifetime ECL. The calculated amount of contractual cash flows of an asset is decreased by the amount of lifetime ECL.

The resulting EIR is called credit risk adjusted EIR. On initial recognition of POCI assets (generally, these are originated assets) the fair value of such loans is determined based on the cash flows that are expected to be received by the Bank as a result of selling collateral and/or receiving cash flows.

Subsequently, ECL for POCI assets are always measured at an amount equal to the lifetime expected credit losses. The amount of the loss allowance for such assets is equal to the amount of changes in the amount of the lifetime ECL since initial recognition of the respective asset.

The amount of positive changes in the lifetime ECL is recognized as impairment gains even if the amount of such changes exceeds the amount, if any, that was previously recognized within profit and loss as impairment loss.

Interest on POCI assets is charged to the amortized cost using the credit-adjusted EIR determined on the initial recognition of the asset.

Presentation of allowance for ECL in the statement of financial position

The amount of the allowance for expected credit losses is presented in the statement of financial position as follows:

Financial assets measured at amortized cost: as a decrease of the gross carrying amount of such assets;

Loan commitments and financial guarantee agreements: generally, as a provision within other liabilities in the statement of financial position;

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

Debt instruments measured at FVOCI: no loss allowance is recognized in the statement of financial position because the carrying amount of these assets is equal to their fair value. However, the loss allowance is disclosed and is recognized in the investment securities revaluation reserve.

Write-offs

Loans and investment securities are written off (partially or in full) when they are reasonably considered to be uncollectible partially or in full. Usually this is the very case when the Bank determines that the borrower has no assets or sources of income that could generate cash flows sufficient to repay outstanding amounts subject to a write-off. Outstanding amounts of legal entities exceeding the Bank's materiality threshold are assessed on an individual basis. Uncollectible loans to individuals are written off provided the principal is more than 630 days overdue.

The recovery of previously written off amounts is included in "Charge of allowance for ECL on financial assets" in the income statement.

Each case of the write-off assets is examined by the Bank on an individual basis.

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

Reclassification of financial assets and liabilities

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

Financial liabilities are not reclassified subsequent to their initial recognition.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Derecognition of financial assets

The Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or the Bank 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 cumulative gain or loss that had been recognized in other comprehensive income is recognized in profit and loss.

The cumulative gain/loss recognized in other comprehensive income in respect of equity investment securities designated by the Bank as at FVOCI is not recognized in profit and 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 ownership 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 sale-and-repurchase transactions.

In transactions in which the Bank doesn't transfer and does not retain substantially all of the risks and rewards incidental to ownership of a financial asset, but at the same time retains control of the transferred 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.

Modification of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Bank assesses whether cash flows related to such modified asset significantly differ. If cash flows differ significantly (significant modification) the rights for contractual cash flows related to the original financial asset are considered 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 recognized in profit and loss as part of the gain or loss on derecognition.

Changes in cash flows on existing financial assets or financial liabilities are not considered as modification, if they result from existing contractual terms, e.g., changes in interest rates initiated by the Bank due to changes in the refinancing rate of the National Bank, if the loan agreement entitles the Bank to do so.

The Bank performs quantitative and qualitative assessment of whether the modification is significant, i.e., whether the cash flows related to the original financial asset differ significantly from those of the modified one or the new one.

The Bank performs quantitative and qualitative assessment of whether the modification is substantial, analyzes qualitative factors, quantitative factors and the combined effect of qualitative and quantitative factors.

If cash flows differ significantly, the rights for contractual cash flows related to the original financial asset are considered to have expired. Similarly, in performing this assessment the Bank acts in line with the requirements with regard to the derecognition of financial liabilities.

The Bank may determine that a modification is significant based on the following qualitative factors:

Change of the financial asset currency;

Change of the collateral type or other enhancements of the asset;

Change of terms of financial asset that lead to non-compliance with the SPPI criterion.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Modification of financial assets and financial liabilities (continued)

If cash flows are modified in consequence of the borrower's financial difficulties, then the objective of the modification is usually to maximize the recovery sum of the asset in accordance with of the original contractual terms rather than to originate (issue) a new asset with substantially different terms. If the Bank plans to modify a financial asset in a way that would result in release of the part of the contractual cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases. The Bank further performs qualitative evaluation of whether the modification is substantial.

If the modification of a financial asset measured at amortized cost or at FVOCI 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 asset and recognizes the resulting adjustment as a modification gain or loss in profit and 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 modification is caused by a financial distress of the borrower, the related profit and loss is presented in impairment losses. In other cases, the related profit or loss is presented in interest income calculated using the effective interest rate method.

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

Financial liabilities

The Bank derecognizes a financial liability when its terms are modified so that cash flows of the modified 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 extinguished and the new financial liability with modified terms is recognized in profit and loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

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

- Change of the financial liability currency;
- Change of the collateral type or other enhancements of the liability;
- Addition of a conversion feature;
- Change of the financial liability subordination.

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

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

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognized at their nominal value, considering adjustment in accordance with IAS 29 *Financial Reporting in a Hyperinflationary Economy* applied before 1 January 2015.

Repurchase of the Bank's own equity instruments is recognized as a deduction of the equity. No gain or loss is recognized in profit and loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Financial liabilities

Financial liabilities, including due to banks and due to customers, debt securities issued by the Bank, subordinated loan and debt, other borrowings and other liabilities, are initially measured at fair value, net of overhead costs.

Financial liabilities are subsequently measured at amortized cost. Interest expenses are calculated using the effective interest rate method.

The effective interest rate method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the relevant period.

Derivatives

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognized immediately in profit and loss.

Although the Bank performs trading transactions with derivatives to hedge its risks, these transactions do not meet the hedging transactions accounting criteria.

Leases

At inception of a contract, the Bank shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

In order to classify a lease, the Bank makes an assessment of the overall risk whether the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset. If so, then the lease is classified as a finance lease; otherwise the lease is classified as an operating lease.

At the commencement date, the lease liabilities where the Bank acts as a lessee are measured at present value of the future lease payments. The lease payments shall be discounted using the interest rate the lessee shall use in order to raise additional funds to acquire an asset of similar value under similar economic conditions.

The lease liability comprises the following payments:

Fixed lease payments less any lease incentives receivable;

Variable lease payments that depend on an index or a rate;

Amounts expected to be payable by the lessee under residual value guarantees;

The exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and

Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

*(in thousands of Belarusian rubles)***2. Significant accounting policies (continued)****Leases (continued)**

The Bank as a lessee remeasures the carrying amount of the lease liability in case certain events occur (change in the lease term, interest rate change, that can modify the future lease payments).

The Bank as a lessor

Finance lease receivables are recognized as loans to customers in the amount of the Bank's net investment in finance leases. Finance lease income is allocated to accounting periods so as to reflect a constant rate of return on the Bank's net investment in finance leases.

Income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Bank as a lessee

The Bank's policy on recognition and subsequent accounting of the right-of-use assets and lease liabilities is disclosed in the sections "Right-of-use assets" and "Financial liabilities" of this Note, respectively.

Lease payments related to short-term leases or leases for which the underlying asset is of low value are recognized as expenses in profit and loss on a straight-line basis.

Precious metals

Gold and other precious metals are recorded at fair value. To determine the fair value of assets denominated in precious metals the Bank uses the National Bank's bid prices effective as at the reporting date (considering their nominal in grams) which approximate fair values being discounted using London Bullion Market rates. To determine the value of the Bank's liabilities denominated in precious metals and recorded in impersonal metal accounts the Bank uses the National Bank's accounting prices. Changes in prices are recognized in net gain/(loss) on operations with precious metals.

Property and equipment

Property and equipment are carried at historical cost less accumulated depreciation and any recognized impairment loss (if any). Cost of property and equipment acquired before 1 January 2015 is restated for inflation.

Depreciation is recognized so as to write off the cost of property and equipment (other than construction in progress items) less their residual values over their useful lives using the straight-line basis. The estimated useful life, carrying amounts and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. In these financial statements the depreciation is calculated on a straight-line basis at the following annual rates:

	<i>Useful life</i>
Buildings and constructions	from 6 to 125 years
Computer equipment, furniture and other equipment	from 1 to 58 years
Vehicles	from 6 to 15 years

Construction in progress items for production or administrative purposes are carried at construction cost restated for inflation, less any recognized impairment loss. Cost of construction includes professional fees. Such property and equipment items are classified to appropriate categories of property and equipment when completed or ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Property and equipment of the Bank includes a separate category of corporate collection of the works of art which are not subject to depreciation because of their unique nature and significant estimated useful lives.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on sale or other disposal of an item of property and equipment is determined as the difference between the sale price and the carrying amount of the asset and is recognized in profit and loss.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at historical cost less accumulated amortization and accumulated impairment losses (if any). Cost of intangible assets acquired before 1 January 2015 is restated for inflation.

Amortization is recognized on a straight-line basis over their estimated useful lives. All intangible assets have definite useful life. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Amortization of intangible assets is calculated on a straight-line basis over their estimated useful lives of 1 to 15 years.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net proceeds on disposal and the carrying amount of the asset and are recognized in profit and loss when the asset is derecognized.

Right-of-use assets

According to IFRS 16 Leases, leases where the Bank acts as a lessee are recorded on the balance sheet of the lessee. The Bank employs practical expedients that involve exemptions from recognition with respect to the following leases:

- short-term leases (leases with a term twelve months and less) and
- lease with a low-value underlying asset.

The initial cost of right-of-use assets includes the following components:

- the historical cost of a lease liability;
- lease payments at the inception of the lease or till that date, less lease incentives received;
- any initial direct costs incurred by the lessee and
- an estimate of the costs to be incurred by the lessee in dismantling and relocating the underlying asset and restoring the underlying asset to the condition required under the terms of the lease.

Subsequent measurement of right-of-use assets is based on the historical cost model less accumulated depreciation and accumulated impairment losses and adjusted for the remeasurement of the lease liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the lease term.

In the Statement of financial position, right-of-use assets and their accumulated depreciation are presented by the Bank under Property, equipment, intangible and right-of-use assets (Note 20).

Investment property

Investment property is an object of property, which is not occupied by the Bank, held to earn rental income or for capital appreciation, or both. Investment property is initially recognized at its purchase cost, including transaction costs.

Subsequently investment property is carried at historical cost less accumulated depreciation and any recognized impairment loss. Depreciation is calculated on a straight-line basis over the useful life of an object.

Impairment of tangible and intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its property and equipment (hereinafter, "tangible assets") and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset or cash generating unit is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are immediately recognized in profit and loss.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Investment property (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversals of impairment losses are immediately recognized in profit and loss.

Taxation

Income tax expense represents the amount of the tax currently payable and deferred tax.

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other reporting periods and does not include items that are never taxable or deductible. Current income tax liability is calculated using tax rates that have been enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax accounting data used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax is not recognized for the following temporary differences:

- Differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that where the Bank is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, and are expected to be in effect during the period when the tax asset is realized or the liability is settled.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, as at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred income taxes are recognized in the income statement, except when they relate to items that are recognized directly in other comprehensive income or directly in equity, in which case, the current and deferred income taxes are also recognized directly in other comprehensive income or in equity, respectively.

Operating taxes

In the Republic of Belarus, where the Bank operates, there are also various other tax requirements applied to the Bank's activities, other than income tax. These taxes are included as a component of operating expenses in the income statement.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Provisions for future expenses

Provisions for future expenses are recognized when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that the Bank will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision for future expenses is the best estimate of the consideration required to settle the present obligations at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision for future expenses is measured using the cash flows estimated to settle the present obligations, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle obligations are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions for future expenses recognized by the Bank include provisions for unused vacations of employees.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed in the financial statements unless the outflow of economic benefits is remote. Contingent assets are not recognized but disclosed in the financial statements when an inflow of economic benefits is probable.

Guarantees, letters of credit and loan commitments

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognized in the financial statements at fair value, being the amount of the premium received. Subsequent to initial recognition, the Bank's liability under each guarantee is measured at the higher of the amount initially recognized less cumulative amortization recognized in the income statement, and a provision for ECL.

Loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Bank is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these commitments are in the scope of the requirements for measurement of ECL. The Bank has no loan commitments measured at FVPL.

For other loan commitments, the Bank recognizes a provision for ECL according to the approach described in Note 37.

Guarantee of obligation performance are contracts that provide compensation if another party fails to discharge a contractual obligation. The risk under performance guarantee contracts is the possibility that the other party fails to perform the contractual obligation.

Financial liabilities recognized with respect to issued guarantees and loan commitments are included in provisions in "Other liabilities" (Note 26).

Functional currency

The functional currency of these financial statements is the national currency of the Republic of Belarus – Belarusian ruble.

(in thousands of Belarusian rubles)

2. Significant accounting policies (continued)

Foreign currency

In preparing the financial statements of the Bank, transactions in currencies other than the functional currency (foreign currencies) are recorded at the rates of exchange effective at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates effective at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates effective at the date when the fair value was determined. Non-monetary items in a foreign currency that are measured at historical cost are not restated. Foreign exchange differences that arise during settlements related to monetary items or during translation of monetary items at rates other than those at which they were translated upon initial recognition during the period or in the previous financial statements are recognized in profit and loss in the period in which they occurred, except for the currency exchange differences on equity finance assets, measured at FVOCI.

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

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

Collateral

The Bank obtains collateral in respect of customer liabilities. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

The Bank examines the property as a collateral against fulfillment of obligations under the loan agreement (in case of customer default the property that is difficult to sell is not considered to be a collateral).

On the reporting date the Bank reviews the estimated cost of the collateral, as it is used as input data when calculating ECL as part of the credit risk management process.

The collateral received as a back-up for the fulfillment of the obligations on customer loans is classified into a category corresponding to the intentions of the Bank: as a property and equipment to be used in production activities or as non-current assets held for sale. The additional information concerning collateral is disclosed in the Note 17.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. The Bank must complete the sale of the asset within one year from the date the asset is classified as held for sale. The Bank classifies assets received through repossession under default loan agreements into this category unless the Bank is going to use the repossessed assets in its investing and operating activities.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their book value at the classification date and fair value less costs to sell.

Operating segments

An operating segment is a component from which the Bank earns revenues and incurs expenses and for which financial information is available that is regularly assessed by the Bank's management when allocating resources and reviewing financial performance. Segment analysis is presented in Note 34.

(in thousands of Belarusian rubles)

3. Significant assumptions and key sources of measurement uncertainty

The preparation of financial statements according to IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of measurement uncertainty and critical judgments in applying accounting policies is described in the following notes:

Judgments

Information about judgments made in applying accounting policies that have the most significant impact on the amounts recognized in the financial statements is disclosed in this and other notes:

Classification of financial assets: assessment of the business model in which a financial asset is held and assessment of whether the contractual terms of a financial asset include solely payments of principal and interest;

Information on establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL is presented in Note 37.

Assumptions and measurement uncertainty

Information about assumptions and measurement uncertainties that have a significant risk of resulting in a material adjustment in the financial statements for the next reporting period:

Impairment of financial instruments

Measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL/impairment losses and assessing of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances for impairment. In addition, large scale business disruptions may lead to liquidity problems for some entities and consumers.

The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgments and estimates include:

The internal credit rating system used by the Bank to determine the probability of default (PD);

The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;

The segmentation of financial assets when their ECL are assessed on a collective basis;

Development of ECL models, including the choice of inputs;

Determination of interrelations between macroeconomic scenarios and economic data, such as the interrelation between the unemployment rate and the collateral value, as well as the impact on the probability of default (PD), exposure at default (EAD), and loss given default (LGD);

The selection of forward-looking macroeconomic scenarios and their probability weightings to obtain inputs for ECL assessment models.

The following assumptions regarding the impairment of financial instruments are presented in Note 37: assessing whether the credit risk of an asset has increased significantly since initial recognition; and incorporating forward-looking information into the measurement of ECL.

See Note 17 (Loans to customers), Note 21 (Other assets) and Note 32 (Deferred financial commitments and credit related commitments, operating environment) for details of the allowance for ECL recognized in the statement of financial position as at 31 December 2022 and 31 December 2021.

(in thousands of Belarusian rubles)

3. Significant assumptions and key sources of measurement uncertainty (continued)

Measurement of fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability under the condition of an ordinary transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank has access at that date. When measuring the fair value of an asset or liability the Bank considers characteristics of the asset or liability if the market participants would take those characteristics in pricing the asset or liability as at the measurement date.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 of the fair value hierarchy (Note 35). The levels reflect the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability.

When the level of the fair value hierarchy per the best estimate as at the reporting date differs from the level that was previously assigned to assets or liabilities transfer into and out of the level occurs. The date of transfer is determined as the date of the event or change in circumstances that caused the transfer.

Fair value of financial instruments is disclosed in Note 35.

Measurement of fair value of financial derivatives

Derivative financial instruments represented by forwards do not have an active market and are measured using the interest rates parity model. Interest rates on financial instruments denominated in the same currency and with relevant maturity period are used as such rates.

Fair value of claims/commitments to receive/deliver cash is determined as a cash flow calculated based on the terms and conditions of the contract.

Derivative financial instruments represented by swap contracts with precious metals are measured at fair value, which is calculated as net result between fair value of the claim and obligation.

Assessment of the corporate collection of works of art

Property and equipment comprise the corporate collection of works of art; due to the unique nature of the pieces of art and the impossibility to accurately determine their estimated useful lives, they are included in a separate category of non-depreciable property and equipment.

Deferred tax assets

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

*(in thousands of Belarusian rubles)***4. New standards and interpretations not yet effective**

The Bank applied for the first time certain new standards and amendments to existing standards, which became effective for annual periods beginning on or after 1 January 2022. The Bank has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

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

- IFRS 17 *Insurance Contracts* and Amendments to IFRS 17 *Insurance Contracts*.
- *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2).
- *Definition of Accounting Estimates* (Amendments to IAS 8).
- *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16).
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to IAS 12);
- *Classification of Liabilities as Current or Non-current* (Amendments to IAS 1).

5. Net interest income

Net interest income comprises:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Interest income		
Interest income calculated using the effective interest rate method		
Interest on loans to customers	263,876	257,172
Interest on investment securities	21,074	21,516
Interest on due from banks and other financial institutions	7,576	2,588
Interest income on REPO transactions	151	96
Interest income on other transactions	5,915	1,042
Total interest income calculated using the effective interest rate method	298,592	282,414
Other interest income:		
Interest on securities at fair value through profit and loss	5,922	5,755
Interest income on net investments in finance lease	1,653	1,562
Total other interest income	7,575	7,317
Total interest income	306,167	289,731
Interest expenses		
Interest expenses on financial instruments recorded at amortized cost		
Interest on due to customers	87,212	82,877
Interest on due to banks and other financial institutions, loans from the National Bank of the Republic of Belarus	38,418	48,490
Interest on subordinated debts	13,947	12,141
Interest on debt securities issued	1,035	7,104
Interest expenses on REPO transactions	374	-
Interest expenses on lease liabilities	141	140
Other interest expenses	887	4
Total interest expenses on financial liabilities recorded at amortized cost	142,014	130,756
Net interest income	164,153	158,975

*(in thousands of Belarusian rubles)***6. Allowances for expected credit losses**

Movements in expected credit loss allowances for financial assets and expected credit loss provisions for financial guarantees and other contingent liabilities for the years ended 31 December 2022 and 31 December 2021 are as follows:

	<i>Due from the National Bank of the Republic of Belarus, banks and other</i>			<i>Cash and cash equivalents</i>	<i>Investment securities</i>	<i>Other assets</i>	<i>Financial guarantees and other credit-related commitments</i>	<i>Total</i>
	<i>Loans to customers</i>	<i>financial institutions</i>						
As at 31 December 2020	184,751	103			12,812	1,105	2,205	200,976
(Recovery)/charge of allowances	17,162	(28)		222	(2,109)	1,691	(914)	16,024
Income from debt previously written off	13,537	-		-	-	-	-	13,537
Write-off of assets	(72,334)	-		-	-	(1,515)	-	(73,849)
Unwinding of discount	2,229	-		-	-	-	-	2,229
Currency exchange differences	(2,504)	-		-	(607)	-	-	(3,111)
As at 31 December 2021	142,841	75		222	10,096	1,281	1,291	155,806
Charge/(recovery) of allowances	30,381	194		298	30,705	2,768	(129)	64,217
Income from debt previously written off	26,790	-		-	-	-	-	26,790
Write-off of assets	(33,554)	-		-	-	(192)	-	(33,746)
Unwinding of discount	1,270	-		-	-	-	-	1,270
Currency exchange differences	156	-		-	1,107	-	-	1,263
As at 31 December 2022	167,884	269		520	41,908	3,857	1,162	215,600

The amount of charge/(recovery) of allowances in the note "Allowances for expected credit losses" is reduced by the amount of income from debt previously written off (BYN 26,790 thousand and BYN 13,537 thousand in 2022 and 2021, respectively). The listed amounts don't influence allowances for expected credit losses on financial instruments as at 31 December 2022 and 31 December 2021.

Movements in the gross carrying amount and allowances for expected credit losses on loans to customers and investment securities, by stage, are disclosed in Notes 17 and 18, respectively.

Movements in allowances for other financial assets and credit-related commitments, by stage, are disclosed in Notes 21 and 32, respectively.

7. Net gain from foreign exchange operations

Net gain from foreign exchange operations comprises:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Dealing, net	78,139	23,974
Translation differences, net	5,772	8,441
Total net gain from foreign exchange operations	83,911	32,415

*(in thousands of Belarusian rubles)***8. Net gain / (loss) from trading operations**

Net loss from trading operations is as follows:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Net gain on derivative financial instruments	1,331	4,580
Net gain/(loss) on securities at fair value through profit and loss	8,575	(12,476)
Total gain/(loss) from trading operations	9,906	(7,896)

9. Fee and commission income and expense

Fee and commission income and expense comprise:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Fee and commission income		
Bank payment card operations	85,559	69,338
Settlement and cash operations with clients	30,513	29,638
Documentary operations	1,415	1,556
Foreign currency operations	103	128
Other	589	543
Total fee and commission income	118,179	101,203
Fee and commission expenses		
Bank payment card operations	31,015	20,292
Maintenance of bank accounts	2,607	1,326
Foreign currency operations	792	333
Payments accepted in favor of the bank	297	282
Documentary operations	56	280
Securities operations	45	68
Other	1,070	768
Total fee and commission expenses	35,882	23,349

10. Net gain on operations with precious metals

Net gain on operations with precious metals comprises:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Financial result from operations with precious metals	278	307
Revaluation of precious metals balance sheet items	25	-
Total net gain on operations with precious metals	303	307

*(in thousands of Belarusian rubles)***11. Other income**

Other income comprises the following:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Fees, received from payment systems	3,659	4,941
Fines and penalties received	2,121	2,792
Income from disposal of non-current assets held for sale and other property	1,095	155
Dividends	783	164
Lease payments	365	1,391
Settlement of tax payments	326	967
Other income	2,457	2,222
Total other income	10,806	12,632

12. Operating expenses

Operating expenses comprise:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Payroll expenses	50,999	45,830
Expenses for services of automated interbank and international settlement system	30,751	32,131
Depreciation and amortization of property and equipment, intangible and right-of-use assets, investment property	17,291	18,505
Mandatory social insurance contributions	14,881	13,976
Expenses on maintenance of banking software	6,360	8,644
Remuneration to the members of the Board of Directors and Revision Committee	4,883	-
Contributions to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	4,178	6,431
Taxes other than income tax	3,983	4,027
Stationery and office expenses	3,726	4,135
Rent and property and equipment maintenance	2,711	2,805
Telecommunications expenses	2,522	2,678
Charity and sponsorship expenses	2,150	2,150
Advertising costs	2,078	2,012
Insurance expenses	1,697	755
Disposal of property, equipment, intangible and right-of-use assets	1,625	3,271
Security expenses	1,446	1,404
Information and advisory services	1,105	1,331
Vehicle maintenance and fuel expenses	761	624
Legal fees	571	2,201
Other expenses	5,301	7,624
Total operating expenses	159,019	160,534

For the year ended 31 December 2022, the Bank recognized expenses from short-term leases and leases of low-value assets totaling BYN 149 thousand (2021: BYN 81 thousand).

*(in thousands of Belarusian rubles)***13. Income tax**

The Bank measures and records its current income tax payable based on its accounting data in accordance with the tax regulations of the Republic of Belarus where the Bank operates. These data may differ from IFRS.

The Bank is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes. Major sources of non-deductible expenses include non-deductible payments to employees, some insurance and charity payments. Major amounts of non-taxable income relate to operations with securities issued by the Belarusian government, companies and banks.

Deferred tax reflects the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2022 and 31 December 2021 relate mostly to different methods/terms of income and expense recognition as well as to temporary differences generated by tax and book differences for certain assets and liabilities.

The Bank calculates current income tax based on the statutory tax accounts maintained and prepared in accordance with the Belarusian statutory tax regulations. During the periods ended 31 December 2022 and 31 December 2021 the tax rate for the Bank was 25%.

The tax effect of temporary differences and movements in deferred taxes as at 31 December 2022 and 31 December 2021 are as follows:

	<u>Origination and reversal of temporary differences</u>			<u>Origination and reversal of temporary differences</u>			
	<u>31 December 2020</u>	<u>In other comprehen- sive income</u>	<u>In the income statement</u>	<u>31 December 2021</u>	<u>In other comprehen- sive income</u>	<u>In the income statement</u>	
Tax effect of deductible temporary differences							
Debt securities issued	175	-	(130)	45	-	(45)	-
Non-current assets held for sale	-	-	420	420	-	(97)	323
Derivative financial instruments	-	-	1	1	-	(1)	-
Due from banks and other financial institutions	9	-	(9)	-	-	-	-
Investment property	1	-	(1)	-	-	-	-
Property, equipment, intangible assets, right-of-use assets	10,664	-	(490)	10,174	-	(900)	9,274
Securities at fair value through profit and loss	417	-	3,119	3,536	-	(2,474)	1,062
Other assets	826	-	(36)	790	-	629	1,419
Other liabilities	1,007	-	(120)	887	-	97	984
Deferred tax assets, gross	13,099	-	2,754	15,853	-	(2,791)	13,062
Tax effect of taxable temporary differences							
Loans to customers	(5,122)	-	887	(4,235)	-	(13,272)	(17,507)
Debt securities issued	-	-	-	-	-	-	-
Derivative financial instruments	(35)	-	35	-	-	(26)	(26)
Due from banks and other financial institutions	-	-	(36)	(36)	-	(617)	(653)
Due to banks and other financial institutions	(608)	-	426	(182)	-	137	(45)
Investment securities	(2,436)	13	-	(2,423)	(94)	-	(2,517)
Allowances for expected credit losses on credit-related commitments	(811)	-	(2,379)	(3,190)	-	932	(2,258)
Deferred tax liability	(9,012)	13	(1,067)	(10,066)	(94)	(12,846)	(23,006)
Deferred tax asset/(liability)	4,087	13	1,687	5,787	(94)	(15,637)	(9,944)

*(in thousands of Belarusian rubles)***13. Income tax (continued)**

The reconciliation of income tax expenses and accounting profit for the years ended 31 December 2022 and 31 December 2021 is as follows:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Profit before tax	118,690	90,339
	25%	25%
Tax at the statutory tax rate	29,673	22,585
<i>Tax effect of permanent differences</i>		
Tax effect of income from securities on concessional terms under legislation	(12,447)	(11,945)
Effect of other non-taxable income and non-deductible expenses	10,747	2,241
Effect of changes in the taxable base of property and equipment due to revaluation carried out for tax purposes	-	24
Income tax expense	27,973	12,905
Current income tax expenses	12,336	14,592
Charge/(recovery) of deferred income tax expense recognized in profit and loss	15,637	(1,687)
Income tax expense	27,973	12,905

14. Cash and cash equivalents

	<i>31 December 2022</i>	<i>31 December 2021</i>
Cash at the correspondent accounts in the National Bank of the Republic of Belarus	503,960	296,400
Correspondent accounts and demand deposits	327,840	253,862
Cash on hand	113,534	77,891
Deposits with banks and other financial institutions with original maturity of up to 90 days	40,001	77,577
	985,335	705,730
Less allowances for losses	(520)	(222)
Total cash and cash equivalents	984,815	705,508

As at 31 December 2022 and 31 December 2021, the item includes placements with the National Bank of the Republic of Belarus that exceed 10% of the Bank's equity, which represents a significant concentration (51% and 42% of the total amount of the item, respectively).

Information on the Bank's methodology for the calculation of expected credit losses on cash equivalents is presented in Note 37.

15. Securities at fair value through profit and loss

Securities at fair value through profit and loss comprise the following trading securities:

	<i>Credit rating* as at 31 December 2022</i>	<i>Interest rate on nominal value</i>	<i>31 December 2022</i>	<i>Credit rating* as at 31 December 2021</i>	<i>Interest rate on nominal value</i>	<i>31 December 2021</i>
Bonds						
Eurobonds of Development Bank of the Republic of Belarus	CCC	6.75%	63,072	B	6.75%	54,935
Eurobonds of the Republic of Belarus	CCC+	6.20-7.625%	26,921	B	6.20-7.625%	20,915
Total securities at fair value through profit and loss			89,993			75,850

* Credit rating of S&P international rating agency.

Approaches to fair value measurement and the analysis by fair value hierarchy levels are presented in Note 35.

*(in thousands of Belarusian rubles)***16. Due from the National Bank of the Republic of Belarus, banks and other financial institutions**

Due from the National Bank of the Republic of Belarus, banks and other financial institutions are represented as follows:

	<i>31 December 2022</i>	<i>31 December 2021</i>
Mandatory cash reserves with the National Bank of the Republic of Belarus	23,940	20,764
Funds pledged as a collateral	6,096	5,152
Less allowances for losses	(269)	(75)
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	29,767	25,841

Information about the Bank's methodology of calculating expected credit losses for amounts due from the National Bank, banks and other financial institutions is disclosed in Note 37.

17. Loans to customers

Loans to customers are represented as follows:

	<i>31 December 2022</i>	<i>31 December 2021</i>
Loans issued	2,503,378	2,563,873
Net investments in finance lease	986	4,065
	2,504,364	2,567,938
Less allowances for losses	(167,884)	(142,841)
Total loans to customers	2,336,480	2,425,097

The table below summarizes the information on the loans by types of borrowers:

	<i>31 December 2022</i>	<i>31 December 2021</i>
Loans to corporate customers	2,021,508	2,011,245
Less allowances for losses	(157,339)	(127,798)
Total corporate loans less allowance for impairment losses	1,864,169	1,883,447
Loans to individuals	482,856	556,693
Less allowances for losses	(10,545)	(15,043)
Total loans to individuals less allowance for impairment losses	472,311	541,650

*(in thousands of Belarusian rubles)***17. Loans to customers (continued)**

The table below represents the structure of the Bank's loan portfolio by industry sector as at 31 December 2022 and 31 December 2021:

	<i>31 December 2022</i>	<i>31 December 2021</i>
Analysis by sector		
Retail portfolio	482,856	556,693
Trade	448,535	379,808
Investments in real estate	261,563	289,215
Transport	220,152	265,633
Chemicals and petrochemicals	189,532	178,809
Other industry	169,429	235,102
Oil industry	155,896	18,245
Financial and insurance services	95,956	134,266
Light industry	90,134	80,845
Food industry	87,578	59,513
Construction	64,403	47,557
Agriculture	29,660	20,892
Machinery construction	28,551	48,937
Timber industry	23,412	25,735
Metallurgy	19,491	18,632
Energy industry	7,853	10,151
Media business	976	1,784
Communications	-	1,641
Other	128,387	194,480
	2,504,364	2,567,938
Less allowances for losses	(167,884)	(142,841)
Total loans to customers	2,336,480	2,425,097

All loans were provided to entities operating in the Republic of Belarus, which is a significant geographical concentration specific to the Belarusian banking system as a whole.

As at 31 December 2022, the Bank provided loans to two customers totaling BYN 195,035 thousand before allowances for losses where the debt of each borrower individually exceeded 10% of the Bank's equity.

As at 31 December 2021, the Bank provided loans to four customers totaling BYN 420,525 thousand before allowances for losses where the debt of each borrower individually exceeded 10% of the Bank's equity.

In December 2022, based on Decree No. 391 of the President of the Republic of Belarus dated 15 October 2021 "On stabilizing the financial position of organizations", the Bank transferred the rights to claim under credit agreements of a corporate client previously written off the balance sheet to Asset Management Agency OJSC under the Agreement of Cession of the Right of Claim. The cession price amounted to BYN 16,638.9 thousand. In exchange for the funds received, the bonds of Asset Management Agency OJSC were purchased for a total amount of BYN 16,638.9 thousand (Note 18).

For 2021, the loss on initial recognition of POCI-assets amounted to BYN 6,137 thousand and represents the loss from initial recognition of interest bearing financial instruments.

The retail portfolio comprises the following products:

	<i>31 December 2022</i>	<i>31 December 2021</i>
Car loans	272,672	330,239
Payment cards	133,191	153,641
Loans on real estate purchase	70,941	63,861
Consumer loans	5,937	8,937
Other	115	15
	482,856	556,693
Less allowances for losses	(10,545)	(15,043)
Total loans to individuals	472,311	541,650

*(in thousands of Belarusian rubles)***17. Loans to customers (continued)**

As at 31 December 2022, the loans to corporate customers of the credit quality "Not rated" include the overdue amounts totaling BYN 1,253 thousand overdue over 30 days, BYN 2,077 thousand overdue over 90 days (31 December 2021: BYN 706 thousand overdue over 30 days and BYN 2,584 thousand overdue over 90 days).

The following table discloses changes in the gross carrying amount and credit loss allowances for loans to corporate customers by stages for the years, ended 31 December 2022 and 31 December 2021:

	Stage 1 <i>(12-month ECL)</i>	Stage 2 <i>(lifetime ECL on assets that are not credit-impaired)</i>	Stage 3 <i>(lifetime ECL on credit-impaired assets)</i>	POCI assets	Total
Gross carrying amount					
As at 31 December 2021	578,287	1,201,413	221,968	5,512	2,007,180
Transfer to 12-month ECL	308,575	(308,478)	(97)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(322,304)	322,631	(327)	-	-
Transfer to lifetime ECL, credit-impaired assets	(1,462)	(115,970)	117,432	-	-
Newly originated or purchased financial assets	844,847	-	-	-	844,847
Derecognized financial assets	(134,590)	(443,325)	(10,220)	-	(588,135)
Write-off of financial assets against allowances created	-	-	(28,838)	-	(28,838)
Unwinding of discount	-	-	1,161	-	1,161
Currency exchange differences	15,208	21,189	4,742	7	41,146
Other changes*	(541,857)	362,901	(72,977)	(4,906)	(256,839)
As at 31 December 2022	746,704	1,040,361	232,844	613	2,020,522
Loss allowance					
As at 31 December 2021	1,742	17,268	107,904	207	127,121
Transfer to 12-month ECL	5,418	(5,395)	(23)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(687)	788	(101)	-	-
Transfer to lifetime ECL, credit-impaired assets	(28)	(6,000)	6,028	-	-
Newly originated or purchased financial assets	11,298	-	-	-	11,298
Derecognized financial assets	(201)	(4,177)	(4,077)	(384)	(8,839)
Write-off of financial assets against allowances created	-	-	(28,838)	-	(28,838)
Income from debt previously written off	-	-	20,419	-	20,419
Unwinding of discount	-	-	1,161	-	1,161
Currency exchange differences	(323)	(84)	1,437	(874)	156
Net change in loss allowance	(14,811)	12,810	35,714	1,146	34,859
As at 31 December 2022	2,408	15,210	139,624	95	157,337

*(in thousands of Belarusian rubles)***17. Loans to customers (continued)**

	Stage 1 <i>(12-month ECL)</i>	Stage 2 <i>(lifetime ECL on assets that are not credit-impaired)</i>	Stage 3 <i>(lifetime ECL on credit-impaired assets)</i>	POCI assets	Total
Gross carrying amount					
As at 31 December 2020	729,558	1,427,436	269,251	-	2,426,245
Transfer to 12-month ECL	608,588	(608,293)	(295)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(734,804)	735,172	(368)	-	-
Transfer to lifetime ECL, credit-impaired assets	(17,381)	(128,984)	146,365	-	-
Newly originated or purchased financial assets	602,270	-	-	5,491	607,761
Derecognized financial assets	(187,112)	(200,573)	(122,242)	-	(509,927)
Write-off of financial assets against allowances created	-	-	(58,630)	-	(58,630)
Unwinding of discount	-	-	2,185	-	2,185
Currency exchange differences	(23,402)	(48,826)	(8,983)	(16)	(81,227)
Other changes*	(399,430)	25,481	(5,315)	37	(379,227)
As at 31 December 2021	578,287	1,201,413	221,968	5,512	2,007,180
Loss allowance					
As at 31 December 2020	3,223	43,501	121,414	-	168,138
Transfer to 12-month ECL	9,544	(9,470)	(74)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(4,589)	4,644	(55)	-	-
Transfer to lifetime ECL, credit-impaired assets	(161)	(6,515)	6,676	-	-
Newly originated or purchased financial assets	9,837	-	-	207	10,044
Derecognized financial assets	(355)	(1,472)	(18,471)	-	(20,298)
Write-off of financial assets against allowances created	-	-	(58,630)	-	(58,630)
Income from debt previously written off	-	-	7,014	-	7,014
Unwinding of discount	-	-	2,185	-	2,185
Currency exchange differences	(219)	(1,028)	(1,257)	-	(2,504)
Net change in loss allowance	(15,538)	(12,392)	49,102	-	21,172
As at 31 December 2021	1,742	17,268	107,904	207	127,121

* Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.

*(in thousands of Belarusian rubles)***17. Loans to customers (continued)**

The following table discloses changes in the gross carrying amount and credit loss allowances for net investments in finance lease to corporate customers by stages for the years ended 31 December 2022 and 31 December 2021:

	Stage 1 <i>(12-month ECL)</i>	Stage 2 <i>(lifetime ECL on assets that are not credit-impaired)</i>	Stage 3 <i>(lifetime ECL on credit-impaired assets)</i>	Total
Gross carrying amount				
As at 31 December 2021	93	2,947	1,025	4,065
Transfer to 12-month ECL	853	(853)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(16)	16	-	-
Newly originated or purchased financial assets	144	-	-	144
Derecognized financial assets	(48)	(1,524)	(481)	(2,053)
Other changes*	(161)	(465)	(544)	(1,170)
As at 31 December 2022	865	121	-	986
Loss allowance				
As at 31 December 2021	-	64	613	677
Transfer to 12-month ECL	8	(8)	-	-
Transfer to lifetime ECL, not credit-impaired assets	-	-	-	-
Transfer to lifetime ECL, credit-impaired assets	-	-	-	-
Derecognized financial assets	-	(48)	(283)	(331)
Net change in loss allowance	(7)	(7)	(330)	(344)
As at 31 December 2022	1	1	-	2
Gross carrying amount				
As at 31 December 2020	2,010	10,960	2,021	14,991
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL, not credit-impaired assets	(1,417)	1,417	-	-
Newly originated or purchased financial assets	59	60	-	119
Currency exchange differences	(66)	(8,017)	-	(8,083)
Other changes*	(493)	(1,473)	(996)	(2,962)
As at 31 December 2021	93	2,947	1,025	4,065
Loss allowance				
As at 31 December 2020	4	204	1,111	1,319
Transfer to 12-month ECL	-	-	-	-
Transfer to lifetime ECL, not credit-impaired assets	(2)	2	-	-
Transfer to lifetime ECL, credit-impaired assets	(1)	-	1	-
Currency exchange differences	-	(345)	-	(345)
Net change in loss allowance	(1)	203	(499)	(297)
As at 31 December 2021	-	64	613	677

* Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.

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*(in thousands of Belarusian rubles)***17. Loans to customers (continued)**

The following table discloses changes in the gross carrying amount and credit loss allowances for loans to individuals by stages for the years ended 31 December 2022 and 31 December 2021:

	<i>Stage 1 (12-month ECL)</i>	<i>Stage 2 (lifetime ECL on assets that are not credit- impaired)</i>	<i>Stage 3 (lifetime ECL on credit-impaired assets)</i>	<i>Total</i>
Gross carrying amount				
As at 31 December 2021	534,962	6,141	15,590	556,693
Transfer to 12-month ECL	15,079	(12,210)	(2,869)	-
Transfer to lifetime ECL, not credit-impaired assets	(17,898)	18,868	(970)	-
Transfer to lifetime ECL, credit-impaired assets	(2,865)	(6,830)	9,695	-
Newly originated or purchased financial assets	53,849	-	-	53,849
Derecognized financial assets	-	-	-	-
Write-off of financial assets against allowances created	-	-	(4,716)	(4,716)
Unwinding of discount	-	-	109	109
Currency exchange differences	(23)	-	-	(23)
Other changes*	(113,251)	(1,022)	(8,783)	(123,056)
As at 31 December 2022	469,853	4,947	8,056	482,856
Loss allowance				
As at 31 December 2021	3,402	2,120	9,521	15,043
Transfer to 12-month ECL	6,431	(4,461)	(1,970)	-
Transfer to lifetime ECL, not credit-impaired assets	(482)	1,135	(653)	-
Transfer to lifetime ECL, credit-impaired assets	(178)	(2,773)	2,951	-
Newly originated or purchased financial assets	391	-	-	391
Derecognized financial assets	-	-	-	-
Write-off of financial assets against allowances created	-	-	(4,716)	(4,716)
Income from debt previously written off	-	-	6,371	6,371
Unwinding of discount	-	-	109	109
Currency exchange differences	-	-	-	-
Net change in loss allowance	(5,456)	5,814	(7,011)	(6,653)
As at 31 December 2022	4,108	1,835	4,602	10,545

(in thousands of Belarusian rubles)

17. Loans to customers (continued)

	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL on assets that are not credit- impaired)	Stage 3 (lifetime ECL on credit-impaired assets)	Total
Gross carrying amount				
As at 31 December 2020	615,956	9,075	11,777	636,808
Transfer to 12-month ECL	16,491	(15,038)	(1,453)	-
Transfer to lifetime ECL, not credit-impaired assets	(19,669)	20,046	(377)	-
Transfer to lifetime ECL, credit-impaired assets	(3,161)	(6,640)	9,801	-
Newly originated or purchased financial assets	50,178	-	-	50,178
Derecognized financial assets	(32,327)	(719)	(1,475)	(34,521)
Write-off of financial assets against allowances created	-	-	(13,704)	(13,704)
Unwinding of discount	-	-	44	44
Currency exchange differences	(12)	-	-	(12)
Other changes*	(92,494)	(583)	10,977	(82,100)
As at 31 December 2021	534,962	6,141	15,590	556,693
Loss allowance				
As at 31 December 2020	6,300	3,585	5,409	15,294
Transfer to 12-month ECL	6,897	(5,991)	(906)	-
Transfer to lifetime ECL, not credit-impaired assets	(735)	969	(234)	-
Transfer to lifetime ECL, credit-impaired assets	(303)	(3,100)	3,403	-
Newly originated or purchased financial assets	279	-	-	279
Derecognized financial assets	(284)	(256)	(843)	(1,383)
Write-off of financial assets against allowances created	-	-	(13,704)	(13,704)
Income from debt previously written off	-	-	6,523	6,523
Unwinding of discount	-	-	44	44
Currency exchange differences	-	-	-	-
Net change in loss allowance	(8,752)	6,913	9,829	7,990
As at 31 December 2021	3,402	2,120	9,521	15,043

* Including partial repayments and additional drawdowns under previously concluded agreements, turnovers related to the interest payment and other changes.

Additional information about movements in allowances for losses on loans to customers for the years ended 31 December 2022 and 31 December 2021 is disclosed in Note 6.

The following table provides information on the Stage 2 and Stage 3 financial assets that were modified during 2022.

	<u>2022</u>
Financial assets modified during the year	
Amortized cost before modification	783,967
Net loss from the modification	(76)
Financial assets modified since initial recognition	
Gross carrying amount as at 31 December 2022 for financial assets whose loss allowance was modified during 2022 and became valued at an amount equal to 12-month ECLs	158,814

The outstanding contractual amount of loans and advances to customers measured at amortized cost, which were written off during the year ended 31 December 2022, but still subject to collection procedures, was BYN 17,087 thousand. (2021: BYN 23,779 thousand).

*(in thousands of Belarusian rubles)***17. Loans to customers (continued)**

The information about the loans by types of collateral is presented in the following table. The information is based on the carrying amount of the loans rather than on the fair value of the collateral:

	31 December 2022	31 December 2021
Loans collateralized by real estate and rights thereto	940,560	896,137
Loans collateralized by equipment and rights thereto	565,149	735,681
Loans collateralized by rights over receivables	325,291	204,833
Loans collateralized by inventories	203,496	143,998
Loans collateralized by guarantees of legal entities	97,476	145,392
Loans collateralized by guarantees of individuals	65,490	39,758
Loans collateralized by guarantees of states	50,376	97,616
Loans collateralized by cash and guarantee deposit	832	1,464
Loans collateralized by insurance of credit risk exposure	46	2,061
Loans collateralized by securities	-	709
Unsecured loans and loans collateralized by other and mixed types of collateral	255,648	300,289
	2,504,364	2,567,938
Less allowances for losses	(167,884)	(142,841)
Total loans to customers	2,336,480	2,425,097

The table above excludes overcollateralization. The Bank revises the estimated value of the collateral for loans with signs of impairment as it is used as input data for calculating expected credit losses as part of credit risk management.

Although the Bank's main objective in calculation of expected credit losses is the creditworthiness of the borrowers, the Bank also regularly, at least once a year, updates the estimated value of collateral, including the cases when credit risk has increased significantly and the loan is subject to a more thorough monitoring. The current estimated value of the collateral along with the level of recovery calculated on the portfolio basis when selling the collateral is used for estimating expected credit losses. For certain impaired loans the Bank may revise the estimated value of the collateral on a personal basis. As at 31 December 2022, the fair value of collateral pledged in respect of impaired loans together with excess collateral amounted to BYN 428,372 thousand (31 December 2020: RUB 349,608 thousand).

Real estate loans are collateralized by real estate. Car loans are collateralized by cars. The fair value of collateral under real estate and car loans is evaluated at the date of a loan origination and is not adjusted for subsequent changes at the reporting date. The car loans are at least a 100% collateralized.

As at 31 December 2022, the cost of repossessed assets accounted for within property and equipment and non-current assets held for sale amounted to BYN 2,519 thousand and BYN 15,764 thousand, respectively.

As at 31 December 2021, the cost of repossessed assets accounted for within property and equipment and non-current assets held for sale amounted to BYN 2,575 thousand and BYN 14,848 thousand, respectively.

(in thousands of Belarusian rubles)

17. Loans to customers (continued)

The components of net investments in finance lease as at 31 December 2022 and 31 December 2021 are as follows:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Less than 1 year	830	2,206
From 1 to 5 years	265	4,131
More than 5 years	-	13
Minimum payments under finance lease	1,095	6,350
Less: unearned finance income	(109)	(2,285)
Net investments in finance lease before allowance	986	4,065
Less allowance for losses	(2)	(677)
Total finance lease receivables	984	3,388
Less than 1 year	733	1,594
From 1 to 5 years	253	2,471
More than 5 years	-	-
Net investments in finance lease before allowance	986	4,065
Less allowance for losses	(2)	(677)
Net investments in finance lease	984	3,388

As at 31 December 2022 and 31 December 2021, information about loans to customers is presented in the table below by overdue periods:

	<u>12-month ECL</u>	<u>Lifetime ECL on assets that are not credit- impaired</u>	<u>Lifetime ECL on credit-impaired assets</u>	<u>POCI assets</u>	<u>31 December 2022</u>
Loans to corporate customers measured at amortized cost					
Not overdue	746,464	1,038,086	126,308	-	1,910,858
Overdue:					
- up to 30 days	1,105	494	22	-	1,621
- from 31 to 60 days	-	1,391	954	-	2,345
- from 61 to 90 days	-	511	-	-	511
- from 91 to 180 days	-	-	882	155	1,037
- over 180 days	-	-	104,678	458	105,136
Loss allowances	(2,409)	(15,211)	(139,624)	(95)	(157,339)
Carrying amount	745,160	1,025,271	93,220	518	1,864,169
Loans to individuals measured at amortized cost					
Not overdue	456,368	-	-	-	456,368
Overdue:					
- up to 30 days	13,485	-	-	-	13,485
- from 31 to 60 days	-	4,006	-	-	4,006
- from 61 to 90 days	-	941	-	-	941
- from 91 to 180 days	-	-	2,028	-	2,028
- over 180 days	-	-	6,028	-	6,028
Loss allowances	(4,108)	(1,835)	(4,602)	-	(10,545)
Carrying amount	465,745	3,112	3,454	-	472,311
Loans to customers	1,210,905	1,028,383	96,674	518	2,336,480

(in thousands of Belarusian rubles)

17. Loans to customers (continued)

	12-month ECL	Lifetime ECL on assets that are not credit- impaired	Lifetime ECL on credit-impaired assets	POCI assets	31 December 2021
Loans to corporate customers measured at amortized cost					
Not overdue	577,509	1,201,573	189,431	-	1,968,513
Overdue:					
- up to 30 days	871	1,405	7,126	-	9,402
- from 31 to 60 days	-	703	1,029	-	1,732
- from 61 to 90 days	-	679	1,695	-	2,374
- from 91 to 180 days	-	-	3,266	5,313	8,579
- over 180 days	-	-	20,446	199	20,645
Loss allowances	(1,742)	(17,332)	(108,517)	(207)	(127,798)
Carrying amount	576,638	1,187,028	114,476	5,305	1,883,447
Loans to individuals measured at amortized cost					
Not overdue	522,871	-	-	-	522,871
Overdue:					
- up to 30 days	12,091	-	-	-	12,091
- from 31 to 60 days	-	4,390	-	-	4,390
- from 61 to 90 days	-	1,751	-	-	1,751
- from 91 to 180 days	-	-	1,903	-	1,903
- over 180 days	-	-	13,687	-	13,687
Loss allowances	(3,402)	(2,120)	(9,521)	-	(15,043)
Carrying amount	531,560	4,021	6,069	-	541,650
Loans to customers	1,108,198	1,191,049	120,545	5,305	2,425,097

Analysis of the credit quality of loans provided to retail customers, by product and overdue period, as at 31 December 2022 and 31 December 2021 is presented as follows:

	Payment cards	Car loans	Real estate loans	Consumer loans	Other	31 December 2022 Total
Loans to individuals assessed collectively						
Not overdue	122,108	259,132	69,134	5,879	115	456,368
Overdue:						
- up to 30 days	5,129	6,992	1,364	-	-	13,485
- from 31 to 60 days	1,434	2,197	374	1	-	4,006
- from 61 to 90 days	389	517	35	-	-	941
- from 91 to 180 days	895	1,104	27	2	-	2,028
- over 180 days	3,236	2,730	7	55	-	6,028
Loss allowances	(4,927)	(5,424)	(168)	(25)	(1)	(10,545)
Loans to individuals less allowances for losses	128,264	267,248	70,773	5,912	114	472,311
Loans to individuals assessed collectively						
Not overdue	138,336	314,620	61,940	7,960	15	522,871
Overdue:						
- up to 30 days	4,706	6,331	992	62	-	12,091
- from 31 to 60 days	1,274	2,363	742	11	-	4,390
- from 61 to 90 days	749	991	-	11	-	1,751
- from 91 to 180 days	978	883	26	16	-	1,903
- over 180 days	7,598	5,051	161	877	-	13,687
Loss allowances	(7,323)	(6,909)	(237)	(574)	-	(15,043)
Loans to individuals less allowances for losses	146,318	323,330	63,624	8,363	15	541,650

*(in thousands of Belarusian rubles)***18. Investment securities**

Investment securities are as follows:

	<i>Interest rate on the nominal value</i>	<i>31 December 2022</i>	<i>Interest rate on the nominal value</i>	<i>31 December 2021</i>
Securities measured at amortized cost				
Bonds of specialized financial institutions	3%	8,243	-	-
Less valuation allowances		(654)		-
Total securities measured at amortized cost		7,589		-
Securities measured at fair value through other comprehensive income				
Long-term governmental bonds in foreign currency	3.70-12.50%	446,326	3.70-7.00%	393,477
Bonds issued by Belarusian banks, BYN	12.00%	7,300	9.25%	7,241
Bonds issued by local authorities, BYN	12.00%	437	9.25%	790
Equity instruments with market quotes		10,029		9,650
Other unquoted equity instruments		1,088		892
Total securities measured at fair value through other comprehensive income		465,180		412,050
Total investment securities		472,769		412,050

As at 31 December 2021, investment securities totaling BYN 44,368 thousand were pledged as collateral for the Bank's loan commitments (Note 23).

As at 31 December 2021, investment securities totaling BYN 74,127 thousand were pledged as collateral for the Bank's loan commitments (Note 22).

Investments in equity instruments that are not held for trading are classified at the Bank's discretion as investments recognized at fair value through other comprehensive income (Note 2).

As at 31 December 2022 and 31 December 2021, listed equity instruments include the shares of MasterCard Inc. measured at fair value, totaling BYN 10,029 thousand and BYN 9,650 thousand, respectively. Other unlisted equity instruments include shares of resident and non-resident corporate clients in the amount of BYN 1,088 thousand and BYN 892 thousand, respectively.

As at 31 December 2022 and 31 December 2021, a loss allowance on investment securities equal to 12-month expected credit losses was recognized in other comprehensive income amounting to BYN 41,254 thousand and BYN 10,096 thousand, respectively.

In December 2022, based on Decree No. 391 of the President of the Republic of Belarus dated 15 October 2021 "On stabilizing the financial position of organizations", the Bank transferred the rights to claim under credit agreements of a corporate client previously written off the balance sheet to Asset Management Agency OJSC under the Agreement of Cession of the Right of Claim. The cession price amounted to BYN 16,638.9 thousand. In exchange for the funds received, the bonds of Asset Management Agency OJSC were purchased for a total amount of BYN 16,638.9 thousand with an annual interest income at a rate of 3% and maturity of 10 years. The loss on initial recognition of these bonds measured at amortized cost amounted to BYN 8,412 thousand (Note 17).

The following table discloses changes in the gross carrying amount and allowances for expected credit losses on debt investment securities measured at FVOCI in stages for the years, ended 31 December 2022 and 31 December 2021, respectively.

(in thousands of Belarusian rubles)

18. Investment securities (continued)

<i>Debt investment securities measured at FVOCI</i>	<i>Stage 1 (12-month ECL)</i>	<i>Total gross carrying amount</i>	<i>Stage 1 (12-month ECL)</i>	<i>Total loss allowance</i>
As at 31 December 2020	364,356	364,356	12,812	12,812
Newly originated or purchased financial assets	116,620	116,620	3,489	3,489
Derecognized financial assets	(24,541)	(24,541)	(639)	(639)
Currency exchange differences	(21,421)	(21,421)	(607)	(607)
Net change in loss allowance	-	-	(4,959)	(4,959)
Other changes*	(33,506)	(33,506)	-	-
As at 31 December 2021	401,508	401,508	10,096	10,096
Newly originated or purchased financial assets	39,537	39,537	3,394	3,394
Derecognized financial assets	(16,781)	(16,781)	(772)	(772)
Currency exchange differences	17,052	17,052	1,107	1,107
Net change in loss allowance	-	-	27,429	27,429
Other changes*	12,747	12,747	-	-
As at 31 December 2022	454,063	454,063	41,254	41,254

* Including the repayments of principal and interest, revaluation and other changes.

The following table presents an analysis of changes in gross carrying amounts and allowances for expected credit losses for debt investment securities measured at amortized cost for the years ended 31 December 2022 and 2021:

<i>Debt investment securities at amortized cost</i>	<i>Stage 1 (12-month ECL)</i>	<i>Total gross carrying amount</i>	<i>Stage 1 (12-month ECL)</i>	<i>Total loss allowance</i>
31 December 2021	-	-	-	-
Newly originated or purchased financial assets	8,243	8,243	-	-
Net change in loss allowance	-	-	654	654
31 December 2022	8,243	8,243	654	654

19. Non-current assets held for sale

Non-current assets held for sale are presented as follows:

	<i>Real estate</i>	<i>Vehicles and equipment</i>	<i>Total</i>
As at 1 January 2021	16,166	465	16,631
Additions	3,023	287	3,310
Disposals	(1,312)	(237)	(1,549)
Impairment	(1,818)	-	(1,818)
As at 31 December 2021	16,059	515	16,574
Additions	11,891	152	12,043
Disposals	(8,066)	(237)	(8,303)
Impairment	(84)	(2)	(86)
Reversal of impairment	1,606	-	1,606
As at 31 December 2022	21,406	428	21,834

As at 31 December 2022 and 31 December 2021, non-current assets held for sale include the Bank's own property and property that has been transferred to the Bank to repay loans or obtained by the Bank through repossession of leased items (real estate, motor vehicles, equipment). The Bank's management intends to sell the property classified as non-current assets held for sale. The Bank plans to complete the sale of these assets within the next 12 months.

As at 31 December 2022 and 31 December 2021, non-current assets held for sale include buildings and constructions, transferred by the Bank to the trust management, amounting to BYN 7,131 thousand and BYN 6,271 thousand, respectively.

(in thousands of Belarusian rubles)

20. Property, equipment, intangible and right-of-use assets

Property, equipment and intangible assets comprise:

	<i>Buildings and construc- tions</i>	<i>Computer equipment, furniture and other equipment</i>	<i>Vehicles</i>	<i>Corporate collection of art works</i>	<i>Investments into property, equipment and intangible assets</i>	<i>Intangible assets</i>	<i>Total</i>
Initial cost							
As at 1 January 2021	94,656	75,774	3,921	17,490	13,007	74,147	278,995
Additions	-	-	-	-	19,654	-	19,654
Transfers between categories	10,249	6,735	206	-	(29,435)	12,245	-
Disposals	(3,242)	(2,145)	(665)	-	(1,862)	(1,430)	(9,344)
As at 31 December 2021	101,663	80,364	3,462	17,490	1,364	84,962	289,305
Additions	-	-	-	-	15,477	-	15,477
Transfers between categories and lines	824	1,575	727	3	(13,547)	10,442	24
Disposals	(4,845)	(2,457)	(357)	-	-	(763)	(8,422)
Depreciation	(1,751)	(55)	-	-	-	-	(1,806)
As at 31 December 2022	95,891	79,427	3,832	17,493	3,294	94,641	294,578
Accumulated depreciation							
As at 1 January 2021	8,967	48,184	2,653	-	-	54,598	114,402
Charge for the year	1,405	7,612	408	-	-	8,219	17,644
Written off on disposal	(724)	(2,099)	(558)	-	-	(1,384)	(4,765)
As at 31 December 2021	9,648	53,697	2,503	-	-	61,433	127,281
Charge for the year	1,431	7,266	362	-	-	7,400	16,459
Written off on disposal	(280)	(2,291)	(357)	-	-	(763)	(3,691)
Depreciation	(55)	(19)	-	-	-	-	(74)
As at 31 December 2022	10,744	58,653	2,508	-	-	68,070	139,975
Net book value							
31 December 2022	85,147	20,774	1,324	17,493	3,294	26,571	154,603
31 December 2021	92,015	26,667	959	17,490	1,364	23,529	162,024

As at 31 December 2022, fully depreciated items of property and equipment and fully amortized intangible assets amounted to BYN 29,783 thousand and BYN 12,993 thousand, respectively. As at 31 December 2021, fully depreciated items of property and equipment and fully amortized intangible assets amounted to BYN 27,318 thousand and BYN 9,967 thousand, respectively.

As at 31 December 2022 and 31 December 2021, buildings with a net book value of BYN 3,520 thousand and BYN 34,620 thousand, respectively, were pledged as collateral for the Bank's loan commitments.

In 2022, real estate, furniture and other equipment of BYN 4,846 thousand and BYN 280 thousand, respectively, were transferred from property and equipment to non-current assets held for sale. Depreciation accumulated as at the date of disposal amounted to BYN 324 thousand and BYN 189 thousand respectively.

In 2021, real estate, vehicles, furniture and other equipment of BYN 3,242 thousand, BYN 354 thousand and BYN 279 thousand, respectively, were transferred from property and equipment to non-current assets held for sale. Depreciation accumulated as at the date of disposal amounted to BYN 725 thousand, BYN 251 thousand and BYN 231 thousand, respectively.

As at 31 December 2022 and 31 December 2021, right-of-use assets comprised the objects of the lease by the Bank, as a lessee, such as buildings and premises, parking places and other objects in order to carry out its everyday operation, to locate the Bank's offices and to build the necessary infrastructure. The Bank rented billboards, cable-line structures, virtual resources and places for technical equipment accommodation.

*(in thousands of Belarusian rubles)***20. Property, equipment, intangible and right-of-use assets (continued)**

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

	<i><u>Right-of-use assets</u></i>
Initial cost	
As at 31 December 2020	2,829
Additions	1,052
Disposals	(729)
As at 31 December 2021	<u>3,152</u>
Additions	639
Disposals	(1,124)
As at 31 December 2022	<u>2,667</u>
Accumulated depreciation	
As at 31 December 2020	881
Charge for the year	861
Written off on disposal	(643)
As at 31 December 2021	<u>1,099</u>
Charge for the year	832
Written off on disposal	(682)
As at 31 December 2022	<u>1,249</u>
Net book value	
31 December 2021	<u>2,053</u>
31 December 2022	<u>1,418</u>

21. Other assets

Other assets comprise:

	<i><u>31 December 2022</u></i>	<i><u>31 December 2021</u></i>
Other financial assets		
Settlements on bank payment cards	42,685	8,025
Funds in settlement	33,361	1,950
Fee and commission income and penalties accrued	1,871	2,248
Other debtors	1,438	1,210
Less allowances for losses	(3,857)	(1,281)
Total other financial assets	<u>75,498</u>	<u>12,152</u>
Other non-financial assets		
Prepaid expenses and other non-financial assets	3,702	1,553
Prepayments for property, equipment and other assets	2,266	2,781
Inventories	899	445
Precious metals	300	324
Taxes recoverable and prepaid taxes other than income tax	1,413	27
Total other assets	<u>84,078</u>	<u>17,282</u>

As at 31 December 2022, settlements on bank payment cards and funds in settlement include balances with payment systems for a longer period compared to data as at 31 December 2021 due to the imposition of sanctions.

As at 31 December 2022, the amount of funds in settlement, the actual possibility to dispose of which was lost by the Bank, amounted to BYN 4,580 thousand.

*(in thousands of Belarusian rubles)***21. Other assets (continued)**

Analysis of the credit quality of other financial assets by overdue periods is presented as follows:

<i>Other financial assets</i>	<i>Lifetime ECL on assets that are not credit-impaired</i>	<i>Lifetime ECL on credit-impaired assets</i>	<i>31 December 2022</i>
Overdue			
- up to 30 days	1,881	-	1,881
- from 31 to 120 days	2,459	-	2,459
- from 121 to 210 days	2,390	-	2,390
- from 211 to 360 days	213	-	213
- over 360 days	-	948	948
No maturity (not overdue)	71,464	-	71,464
Less allowances for losses	(2,909)	(948)	(3,857)
Total other financial assets	75,498	-	75,498
<i>Other financial assets</i>	<i>Lifetime ECL on assets that are not credit-impaired</i>	<i>Lifetime ECL on credit-impaired assets</i>	<i>31 December 2021</i>
Overdue			
- up to 30 days	2,086	-	2,086
- from 31 to 120 days	144	-	144
- from 121 to 210 days	108	-	108
- from 211 to 360 days	113	-	113
- over 360 days	-	1,007	1,007
No maturity (not overdue)	9,975	-	9,975
Less allowances for losses	(274)	(1,007)	(1,281)
Total other financial assets	12,152	-	12,152

The table below discloses changes in allowances for expected credit losses on other financial assets, by stage, for the years ended 31 December 2022 and 31 December 2021:

<i>Allowances for other financial assets</i>	<i>Stage 2 (lifetime ECL on assets that are not credit-impaired)</i>	<i>Stage 3 (lifetime ECL on credit-impaired assets)</i>	<i>Total</i>
As at 31 December 2020	290	815	1,105
Newly originated or purchased financial assets	162	-	162
Write-off of financial assets against allowances created	-	(1,515)	(1,515)
Net change in loss allowance*	(178)	1,707	1,529
As at 31 December 2021	274	1,007	1,281
Newly originated or purchased financial assets	2,912	-	2,912
Write-off of financial assets against allowances created	-	(161)	(161)
Net change in loss allowance*	(277)	102	(175)
As at 31 December 2022	2,909	948	3,857

* Including the effect of repayment (early repayment).

*(in thousands of Belarusian rubles)***22. Loans from the National Bank of the Republic of Belarus**

As at 31 December 2022 there are no loans from the National Bank of the Republic of Belarus. As at 31 December 2021, loans from the National Bank of the Republic of Belarus amounted to BYN 74,891 thousand and were collateralized by debt securities in foreign currency with a fair value of BYN 74,127 thousand (Note 18).

Additional information on goals and financing terms is disclosed in the Note 37 as a part of the liquidity risk disclosure.

23. Due to banks and other financial institutions

Due banks and other financial institutions comprise:

	<i>31 December 2022</i>	<i>31 December 2021</i>
Loans from banks and non-banking financial institutions	353,220	526,820
Correspondent and demand accounts of other banks	375,859	109,537
Funds received as a collateral	13,970	9,223
Syndicated loan	-	129,668
Long-term loans from international financial institutions	-	10,879
Total due to banks and other financial institutions	743,049	786,127

As at 31 December 2022, due to banks and other financial institutions included loans and correspondent and demand account balances from one bank totaling BYN 527,175 thousand that exceeded 10% of the Bank's equity, which represents a significant concentration (71% from the total amount) (Note 33).

As at 31 December 2021, due to banks and other financial institutions included loans from three banks totaling BYN 504,934 thousand that individually exceeded 10% of the Bank's equity, which represents a significant concentration (64% of the total amount).

As at 31 December 2022, investment securities in the amount of BYN 44,368 thousand were pledged as collateral for the Bank's loan obligations (Note 18).

As at 31 December 2022 and 31 December 2021 buildings with a net book value of BYN 3,520 thousand and BYN 34,620 thousand, respectively, were pledged as collateral for the Bank's loan obligations. (Note 20).

As at 31 December 2022 and 31 December 2021, the Bank fulfilled the covenants established in the loan agreements.

24. Due to customers

Due to customers comprise:

	<i>31 December 2022</i>	<i>31 December 2021</i>
Current/settlement accounts and demand deposits	1,170,325	656,457
Term deposits	1,122,794	1,320,736
Total due to customers	2,293,119	1,977,193

*(in thousands of Belarusian rubles)***24. Due to customers (continued)**

Below are the Bank's due to customers by industries as at 31 December 2022 and 31 December 2021:

	31 December 2022	31 December 2021
Analysis by sectors:		
Individuals	1,093,141	1,052,662
Trade	252,217	191,723
Construction	140,230	77,106
Machinery construction	132,403	111,140
Food industry	111,812	9,833
Transport	70,686	45,147
Other industry	66,547	45,896
Gas transportation	54,105	206,793
Investments in real estate	46,772	51,593
Chemicals and petrochemicals	44,509	9,906
Timber industry	23,682	14,566
Agriculture	21,758	16,084
Financial and insurance companies	20,653	29,141
Metallurgy	13,595	5,634
Light industry	7,189	4,709
Media business	7,027	4,067
Government administration	3,352	1,655
Communication	3,205	2,918
Oil industry	2,752	15,346
Energy sector	1,338	2,445
Other	176,146	78,829
Total due to customers	2,293,119	1,977,193

As at 31 December 2022, there are no due to customers balances representing significant concentration. As at 31 December 2021, due to customers totaling BYN 176,450 thousand (9% of the total amount) comprised the balances of accounts of one customer, which represents significant concentration.

As at 31 December 2022 and 31 December 2021, due to customers of BYN 2,941 thousand and BYN 9,146 thousand, respectively, were held as collateral against letters of credit, guarantees and loans issued by the Bank.

25. Debt securities issued

	Currency	Maturity date	Interest rate	31 December 2022
Bonds issued by the Bank and held by individuals	US dollar	January 2020 – December 2023	0.3-8.5%	14,154
	Euro	January 2020 – December 2023	2.0-6.5%	7,926
Total debt securities issued				22,080
	Currency	Maturity date	Interest rate	31 December 2021
Bonds issued by the Bank and held by individuals	US dollar	January 2020 – December 2023	0.3-8.5%	13,675
	Euro	January 2020 – December 2023	2.0-6.5%	10,779
Bonds issued by the Bank and held by legal entities	Belarusian ruble	December 2024	9.5%	7,708
Total debt securities issued				32,162

(in thousands of Belarusian rubles)

26. Other liabilities

Other liabilities comprise:

	<u>31 December 2022</u>	<u>31 December 2021</u>
Other financial liabilities		
Settlements on other banking operations and accrued expenses	32,609	10,346
Lease liabilities	2,516	2,220
Provisions for ECL for financial guarantees and other credit related commitments	1,162	1,291
Settlements for property and equipment and other assets acquired	1,014	1,070
Total other financial liabilities	37,301	14,927
Other non-financial liabilities		
Salary payable to employees	4,322	4,593
Provisions for allowance for non-financial guarantees	1,989	784
Taxes payable other than income tax	1,232	2,269
Payables to the reserves of the State Agency of Guaranteed Compensation of Individual Deposits	564	1,578
Prepayments received	-	2,091
Other non-financial liabilities	69	228
Total other liabilities	45,477	26,470

Movements in provisions for financial guarantees and other credit related commitments for the years ended 31 December 2022 and 31 December 2021 are disclosed in Note 6, and movements by stage are disclosed in Note 32.

Movements in lease liabilities are disclosed in the following table:

	<u>Lease liabilities</u>
As at 31 December 2020	2,220
Additions	952
Repayment	(1,025)
Interest expenses	140
Variable lease payment adjustment	(67)
As at 31 December 2021	2,220
Additions	535
Repayment	(1,185)
Interest expenses	141
Variable lease payment adjustment	805
As at 31 December 2022	2,516

27. Subordinated debt

	<i>Currency</i>	<i>Maturity date</i>	<i>Interest rate</i>	<u>31 December 2022</u>	<u>31 December 2021</u>
The subordinated debt from Gazprombank (Joint-stock Company)	Russian rubles	January 2023	5.95%	98,803	89,629
The subordinated debt from PJSC Gazprom	Russian rubles	January 2025	8.25%	93,781	85,073
Total subordinated loans				192,584	174,702

Subordinated debts were raised in January 2015. Payments on this debt are subordinated to repayments of the Bank's other liabilities to all other creditors.

In December 2022, an additional agreement to the loan agreement with Gazprom PJSC was signed to extend the maturity of subordinated borrowings until January 2025.

*(in thousands of Belarusian rubles)***27. Subordinated debt (continued)**

In December 2022 a subordinated loan agreement was signed with Gazprombank (Joint-stock Company) to raise a subordinated loan of RUB 2,478,686 thousand equivalent of BYN 93,781 as at 31 December 2022, maturing in January 2028 (Note 38).

28. Share capital

As at 31 December 2022 and 31 December 2021, authorized, issued and fully paid share capital of the Bank consisted of 34,812,225,866 ordinary shares and 3,932,200 preference shares with the par value of BYN 0.01 each.

Hyperinflation effect accumulated before 31 December 2014 amounts to BYN 187,783 thousand.

All ordinary shares are of the same class and carry one vote. Preference shares are non-voting. Preference shares are entitled to annual dividends, the amount of which is determinable by an annual shareholders meeting, but not less than 1% of the par value of the shares.

The decision on payment of dividends is made by the General Meeting of Shareholders upon the recommendation of the Board of Directors. The Bank has no obligation to redeem preference shares, except in the cases provided by the legislation of the Republic of Belarus, as well as cases of voluntary assumption of such obligations.

Based on performance results for 2021, the Bank paid BYN 40,693 thousand as dividends on ordinary and preference shares, which amounts to BYN 0.00117 per ordinary and preference share.

Dividends for 2020 were not paid; the respective decision was made by the General Meeting of Shareholders.

29. Earnings per share

The table below shows earnings and weighted average number of ordinary shares figures used for calculating basic earnings per share.

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
Earnings used for calculating earnings per share	90,717	77,434
Weighted average number of shares used for calculating earnings per share	34,812,225,866	34,812,225,866
Earnings per share (BYN)	0.0026	0.0022

Basic earnings per share are equal to diluted earnings per share.

*(in thousands of Belarusian rubles)***30. Offsetting financial assets and financial liabilities**

The disclosures in the table below include financial assets and financial liabilities that are subject to an enforceable master arrangement on offsetting or similar agreements that cover similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar financial instruments include securities borrowing and lending agreements as at 31 December 2022 and 31 December 2021. Financial instruments, such as loans and deposits, are not disclosed due to insignificant balances.

Types of financial assets / financial liabilities	31 December 2022			31 December 2021		
	Full amounts of recognized financial assets/financial liabilities	Cost of financial instruments that were not offset in the statement of financial position	Net amount	Full amounts of recognized financial assets/financial liabilities	Cost of financial instruments that were not offset in the statement of financial position	Net amount
Investment securities	472,769	(44,368)	428,401	412,050	(74,127)	337,923
Loans from the National Bank	-	-	-	74,891	(74,127)	764
Due to banks and other financial institutions	743,049	(44,368)	698,681	786,127	-	786,127

31. Reconciliation of changes in liabilities and cash flows from financing activities

	<i>Loans from international financial institutions</i>	<i>Debt securities issued</i>	<i>Subordinated loans</i>	<i>Syndicated loans</i>
Balance as at 31 December 2020	29,176	74,859	177,497	141,567
Cash flow				
Inflows	-	113,785	-	-
Outflows	(16,056)	(160,414)	-	-
Total changes related to cash flows from financing activities	(16,056)	(46,629)	-	-
Non-monetary changes				
Effect of exchange rate fluctuations	(2,141)	(2,344)	(2,762)	(12,850)
Other changes				
Interest paid	(741)	(828)	(12,174)	(3,602)
Interest accrued	641	7,104	12,141	4,553
Balance as at 31 December 2021	10,879	32,162	174,702	129,668
Cash flow				
Inflows	-	10,093	-	-
Outflows	(10,648)	(21,906)	-	(123,705)
Total changes related to cash flows from financing activities	(10,648)	(11,813)	-	(123,705)
Non-monetary changes				
Effect of exchange rate fluctuations	(159)	1,148	17,433	(5,991)
Other changes				
Interest paid	(216)	(452)	(13,498)	(1,791)
Interest accrued	144	1,035	13,947	1,819
Balance as at 31 December 2022	-	22,080	192,584	-

Movements in lease liabilities are disclosed in Note 26.

Information on the amounts of loans from international financial organizations, as well as the syndicated loan amount is disclosed in Note 23. Information on the amounts of debt securities issued by the Bank is disclosed in Note 25, information on the amounts of subordinated debt is presented in Note 27.

*(in thousands of Belarusian rubles)***32. Deferred financial commitments and financial credit related commitments, operating environment**

In the normal course of business, the Bank issues credit related commitments, recognized on off-balance sheet accounts, for the purpose of meeting the needs of its customers. These instruments bear various degrees of credit risk and are not recognized in the statement of financial position.

The Bank's maximum exposure to credit risk on credit related commitments in the case of other party's failure to execute its obligations and impairment of all counterclaims, collateral or security, is represented by the contractual amounts of those instruments.

As at 31 December 2022 and 31 December 2021, the nominal or contract amounts of contingent liabilities and financial credit related commitments were as follows:

	31 December 2022	31 December 2021
Financial credit related commitments		
Commitments on loans and unused credit lines, non-cancellable	268,675	279,859
Commitments on loans and unused credit lines, cancellable	178,677	185,797
Non-financial guarantees issued and similar commitments	138,662	70,198
Financial guarantees issued and similar commitments	11,083	13,836
Letters of credit, covered	921	4,853
Letters of credit, not covered	-	4,989
Total financial credit related commitments	598,018	559,532

Provisions for expected credit losses on some loan commitments is recognized within the credit loss allowance on loans to customers (Note 17), given the Bank is unable to distinguish the amount of the expected credit losses on the unclaimed component of the loan commitments from those relating to the already issued loans.

The following table discloses changes in provisions for expected credit losses on financial credit related commitments recorded in other liabilities for the years ended 31 December 2022 and 31 December 2021:

Allowances for financial credit related commitments	Stage 1 (12-month ECL)	Stage 2 (lifetime ECL on assets that are not credit- impaired)	Stage 3 (lifetime ECL on credit-impaired assets)	Total
As at 31 December 2020	1,549	656	-	2,205
Transfer to 12-month ECL	413	(413)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(3,015)	3,015	-	-
Transfer to lifetime ECL, credit-impaired assets	-	(6)	6	-
Newly originated or purchased financial credit related commitments	3,199	-	-	3,199
Financial credit related commitments, which have been derecognized	(679)	(205)	-	(884)
Net change in loss provision	(835)	(2,388)	(6)	(3,229)
As at 31 December 2021	632	659	-	1,291
Transfer to 12-month ECL	164	(164)	-	-
Transfer to lifetime ECL, not credit-impaired assets	(41)	41	-	-
Transfer to lifetime ECL, credit-impaired assets	-	(5)	5	-
Newly originated or purchased financial credit related commitments	689	-	-	689
Financial credit related commitments, which have been derecognized	(270)	(423)	-	(693)
Net change in loss provision	(386)	266	(5)	(125)
As at 31 December 2022	788	374	-	1,162

* Including the effect of repayment (early repayment).

(in thousands of Belarusian rubles)

32. Deferred financial commitments and financial credit related commitments, operating environment (continued)

Provisions for financial guarantees and other financial credit related commitments are recognized within other liabilities (Note 26).

Legal proceedings. In the normal course of business, customers and counterparties can claim against the Bank. The opinion of the Management is that no material losses will be incurred by the Bank as a result thereof and accordingly no provision has been made in these financial statements.

Pensions and retirement plans. As at 31 December 2022 and 31 December 2021, the Bank had no liabilities for any supplementary pension payments, post-retirement health care, insurance benefits, or other retirement benefits to its current or former employees.

Legislation. Certain provisions of Belarusian business and tax legislation in particular are subject to varying interpretations and may be applied inconsistently. In addition, since interpretations made by the Management may differ from official interpretations and compliance with law may be challenged by the authorities, the Bank may be subject to additional tax payments and fines and other preventive actions. The supervising authorities can review earlier tax periods.

The Belarusian tax legislation ensures control over transfer pricing and introduced transfer pricing reporting requirements. Tax authorities may assess additional income tax liabilities in respect of controlled transactions if during the review it is established that prices applied in such transactions differ from market prices. The risk of additional assessment will increase if the Bank fails to confirm the application of market prices in controlled transactions and provide the tax authorities with proper documentary evidence. However, it is impossible to determine the amount of potential claims from the tax authorities in connection with transfer pricing.

Management of the Bank believes that the Bank has made all required tax and other payments and accruals, therefore, no additional provisions have been created in these financial statements.

Fiduciary management. In the course of its ordinary activities the Bank concludes agreements with customers (individuals and corporate clients) for trust management of the customers' assets: as a fiduciary the Bank receives cash for trust management to further acquire or sell investment instruments as instructed by the customers.

Assets and liabilities related to fiduciary management are not recognized in the Bank's financial statements.

Operating environment. The core operations of the Bank are conducted in the Republic of Belarus.

In 2014, sectoral sanctions were imposed on certain entities of the Russian Federation, including Gazprombank (Joint-stock Company) and Gazprom PJSC, by the Office of Foreign Assets Control ("OFAC") of the United States Treasury Department and the Council of the European Union ("the EU"). In 2022, sanctions were imposed on members of the Management Board and the Board of Directors of Gazprombank (Joint-stock Company) (SDN-list).

In 2022, the Republic of Belarus was under considerable sanctions pressure. As a result of sectoral and blocking sanctions imposed by the Office of Foreign Assets Control ("OFAC") of the United States Treasury Department and the European Union on a number of Belarusian and Russian legal entities, some Belarusian banks were also subject to restrictions, both directly and under the "50% rule" as subsidiaries of Russian sanctioned banks. The above blocking sanctions and restrictions related to disconnection of financial institutions from SWIFT do not apply to the Bank.

The restrictions imposed in 2022 hindered residents' access to international capital markets and international payments, and increased the risk of losing control over foreign assets. In addition, the restrictions affected a number of goods that are important for export and import of the Republic of Belarus, which had a restraining effect on economic activity.

In 2022, according to the National Statistical Committee of the Republic of Belarus¹, Belarus' GDP decreased by 4.7% compared to 2021. In the fourth quarter, the rate of GDP reduction did not change, which may indicate an adaptation of the economy to the imposed sanctions. A positive impact on GDP rate was made by agriculture, forestry and fishery (+4.4 p.p.), the biggest negative impact was made by transport (-16.8 p.p.), wholesale and retail trade (-12.4 p.p.) and construction (-11.4 p.p.).

In 2022, due to changes in logistics chains, foreign trade turnover in goods and services decreased by 6.0% (or USD 5.68 billion) compared to 2021, including exports by 5.4% and imports by 6.6%, while the foreign trade surplus was USD 4.31 billion, having increased by 8.6% in comparison with the previous year².

¹ www.belstat.gov.by/ofitsialnaya-statistika/osnovnye-pokazateli-po-respublike-belarus/

² www.nbrb.by/statistics/foreigntrade/current

(in thousands of Belarusian rubles)

32. Deferred financial commitments and financial credit related commitments, operating environment (continued)

Inflationary processes accelerated significantly in 2022. The annual increase in consumer prices reached its maximum value in July, amounting to 18.1%. Subsequently, there was a slowdown in inflation associated with the introduction of a moratorium on price increase and changes in the system of price regulation. By the end of 2022 the annual increase in consumer prices amounted to 12.8%, the refinancing rate of the National Bank remained unchanged at 12% since 1 March 2022³.

Despite the volatility of the Belarusian ruble against major currencies in March, later on the rate of the national currency stabilized: at 2022 the Belarusian ruble weakened against the US dollar and the euro by 7.4% and 1.1%, respectively, and against the Russian ruble by 10.2%. Against the background of reorientation of foreign trade flows, the National Bank excluded the euro from the currency basket and introduced the Chinese yuan. To calculate the cost of the currency basket, weights for the Russian ruble, the US dollar, and the Chinese yuan were set at 60%, 30%, and 10%, respectively. The average official exchange rate of the Belarusian ruble against foreign currencies in 2022 is BYN 2.6290 per USD 1, BYN 2.7699 per EUR 1, BYN 3.9035 per RUB 100 and BYN 3.9204 per CNY 10.⁴

Amid excess liquidity in the banking system, the average interest rates on new bank loans in national currency fell from 18.70% per annum in April to 9.81% per annum in December, in foreign currency from 20.66% per annum in March to 10.59% per annum in December. Average interest rates on new bank deposits in local currency fell from 14.10% per annum in April to 3.27% per annum in December, while in foreign currency from 6.77% per annum in May to 2.33% per annum in December⁵.

On 7 July 2022, the international rating agency Fitch Ratings downgraded the sovereign long-term foreign currency rating of the Republic of Belarus from "CCC" to "C", on 18 July 2022 it was downgraded to "RD".

On 3 August 2022, the international rating agency Standard & Poor's lowered the sovereign long-term foreign currency rating of the Republic of Belarus from "CC" to "SD".

The Bank's rating from international rating agency Fitch Ratings was downgraded from "B" to "CCC" on 15 March 2022, and was withdrawn on 29 March 2022.

33. Transactions with related parties

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The ultimate controlling party of the Bank is the Government of the Russian Federation.

For financial statements disclosure purposes, the Bank groups its related parties into the following categories: shareholders, companies under common control, key management personnel.

Details of transactions between the Bank and the related parties are disclosed below:

	Year ended 31 December 2022				Total for financial statements' items
	Shareholders	Companies under common control	Key management personnel	Total	
Interest income calculated using the effective interest rate method	385	7,433	199	8,017	298,592
Other interest income	–	–	–	–	7,575
Interest expenses	(31,540)	(17,914)	(127)	(49,581)	(142,014)
Charge of allowances for expected credit losses on financial assets	(6)	(112)	25	(93)	(64,346)
Net gain from foreign exchange operations	18,672	9,806	–	28,478	83,911
Net gain/(loss) from trading operations	105	–	–	105	9,906
Fee and commission income	1	2,331	2	2,334	118,179
Fee and commission expenses	(362)	(149)	–	(511)	(35,882)
Operating expenses	(6)	(397)	(7,259)	(7,662)	(159,019)
Salary and other personnel costs	–	–	(6,192)	–	–
Social security and insurance contributions	–	–	(1,067)	–	–

³ www.nbrb.by/mp/inflation/month

⁴ www.nbrb.by/statistics/rates/ratesdaily.asp

⁵ www.nbrb.by/statistics/financialmarkets/avginratesdyn

(in thousands of Belarusian rubles)

33. Transactions with related parties (continued)

	For the year ended 31 December 2021				Total for financial statements' items
	Shareholders	Companies under common control	Key management personnel	Total	
Interest income calculated using the effective interest rate method	22	822	159	1,003	282,414
Other interest income	-	-	-	-	7,317
Interest expenses	(23,375)	(12,096)	(116)	(35,587)	(130,756)
Charge of allowances for expected credit losses on financial assets	-	(256)	(15)	(271)	(16,938)
Net gain from foreign exchange operations	2,409	2,055	-	4,464	32,415
Net gain/(loss) from trading operations	(25)	22	-	(3)	(7,896)
Fee and commission income	-	1,673	2	1,675	101,203
Fee and commission expenses	(57)	(396)	-	(453)	(23,349)
Operating expenses	(23)	(53)	(5,011)	(5,087)	(160,534)
Salary and other personnel costs	-	-	(4,138)	-	-
Social security and insurance contributions	-	-	(873)	-	-

Remuneration of the key management personnel for the reporting periods ended 31 December 2022 and 31 December 2021 was represented by short-term remunerations.

The statement of financial position as at 31 December 2022 and 31 December 2021 includes the following amounts of transactions between the Bank and the related parties:

	31 December 2022				Total for financial statements' items
	Shareholders	Companies under common control	Key management personnel	Total	
Assets					
Cash and cash equivalents	176,463	48,352	-	224,815	984,815
Including loss allowances	(6)	(125)	-	(131)	(520)
Derivative financial instruments, assets	108	-	-	108	108
Loans to customers	-	363	-	363	29,767
Including loss allowances	-	14	1,492	1,506	2,336,480
Other assets	-	-	(5)	(5)	(167,884)
Including allowances	-	168	-	168	84,078
	-	-	-	-	(3,857)
Liabilities					
Derivative financial instruments, liabilities	3	-	-	3	3
Due to banks and other financial institutions	527,175	18,135	-	545,310	743,049
Due to customers	-	128,164	3,576	131,740	2,293,119
Term deposits	-	83,933	2,035	85,968	1,122,794
Current/settlement accounts and demand deposits	-	44,231	1,541	45,772	1,170,325
Other liabilities	50	234	1,733	2,017	45,477
Subordinated debt	192,584	-	-	192,584	192,584

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	31 December 2021				Total for financial statements' items
	Shareholders	Companies under common control	Key management personnel	Total	
Assets					
Cash and cash equivalents	3,721	90,686	-	94,407	705,508
<i>Including loss allowances</i>	-	(7)	-	(7)	(222)
Derivative financial instruments, assets	-	22	-	22	22
Loans to customers	-	4	1,046	1,050	2,425,097
<i>Including loss allowances</i>	-	-	(30)	(30)	(142,841)
Other assets	-	447	-	447	17,282
<i>Including allowances</i>	-	(6)	-	(6)	(1,281)
Liabilities					
Derivative financial instruments, liabilities	25	-	-	25	206
Due to banks and other financial institutions	316,171	238,683	-	554,854	786,127
Due to customers	-	265,954	4,399	270,353	1,977,193
<i>Term deposits</i>	-	259,043	3,930	262,973	1,320,736
<i>Current/settlement accounts and demand deposits</i>	-	6,911	469	7,380	656,457
Other liabilities	1,321	119	2,003	3,443	26,470
Subordinated debt	174,702	-	-	174,702	174,702

As at 31 December 2022, the Bank recognized credit related commitments with related parties in the amount of BYN 16,750 thousand.

As at 31 December 2021, the Bank recognized credit related commitments with related parties in the amount of BYN 10,468 thousand.

As at 31 December 2022, the Bank recorded contingent financial claims to the related parties against the counter-guarantee in the amount of BYN 16,503 thousand.

As at 31 December 2021, the Bank recorded contingent financial claims to the related parties against the counter-guarantee in the amount of BYN 10,023 thousand.

Transactions with related parties were performed under conditions similar to those with unrelated parties.

As at 31 December 2022, due to banks is represented by interbank loans in foreign currency with the average weighted contract rate of 8.79%.

As at 31 December 2021, due to banks is represented by interbank loans in foreign currency with the average weighted contract rate of 3.88%.

As at 31 December 2022, the average weighted contract rate on BYN-denominated customer deposits was 20.34% (31 December 2021: 5.02%), deposits denominated in foreign currencies – 5.83% (31 December 2021: 1.97%).

As at 31 December 2022, the average weighted contract rate on cash and cash equivalents denominated in foreign currencies was 1.12% (31 December 2021: 0.05%).

Additional information about terms and conditions of transactions with related parties is presented in Note 27.

(in thousands of Belarusian rubles)

34. Segment analysis

To provide the shareholders and management of the Bank with analytical information to make effective management decisions with regard to business development, certain types of the Bank's management statements are prepared with a breakdown by operating segment.

Operating segments of the Bank are as follows:

"Corporate Business" operating segment is the Bank's operating segment that represents activities related to transactions with customers, both entrepreneurs and corporate clients (credit transactions, acquisition and issue of securities, opening of deposits and current accounts, foreign currency transactions, commission and other banking transactions).

"Retail Business" operating segment is the Bank's operating segment that represents activities related to transactions with individuals (credit transactions, issue of securities, opening of deposits and current accounts, foreign currency transactions, commission and other banking transactions).

"Investment and Banking Business" operating segment is the Bank's operating segment that represents activities related to transactions with customers represented by banks and non-banking financial organizations.

Amounts that have not been classified into the above operating segments represent the "Unallocated amounts" category.

The performance of these segments is presented in the form of management statements. These statements are based on the financial result and volume indicators of assets and liabilities.

All income and expenses of the Bank recorded in accounting are analyzed and segmented to form the financial result. There are the following types of income and expenses depending on the applied method of segmentation:

- Direct income and expenses that are allocated between the operating segments based on analytical indicators in the Bank's accounting systems;

- Allocated income and expenses that are distributed between the operating segments taking into account the selected allocation rule allowing to ensure the maximum accuracy of the distribution with an acceptable level of work efforts;

- Transfer income and expenses that are allocated between the operating segments as part of the transfer pricing system based on the funding matrix and internal transfer pricing rules.

Assets and liabilities of the operating segments are presented as a balance report with a breakdown by operating segment. All balance sheet accounts of the Bank are analyzed and segmented to form the balance by operating segment.

(in thousands of Belarusian rubles)

34. Segment analysis (continued)

Information on profit and loss by operating segment for the year ended 31 December 2022 is presented below:

	<i>Year ended 31 December 2022</i>	<i>Corporate Business</i>	<i>Retail Business</i>	<i>Investment and Banking Business</i>	<i>Unallocated amounts</i>
Interest income calculated using the effective interest rate method	298,592	178,000	91,831	28,761	-
Other interest income	7,575	1,653	-	5,922	-
Interest expenses	(142,014)	(39,230)	(58,194)	(44,450)	(140)
Net interest income	164,153	140,423	33,637	(9,767)	(140)
Charge of allowances for expected credit losses on financial assets	(64,346)	(19,221)	(11,160)	(31,197)	(2,768)
Net interest income after allowances for expected credit losses on financial assets	99,807	121,202	22,477	(40,964)	(2,908)
Loss on initial recognition of financial instruments	(8,412)	-	-	(8,412)	-
Net gain/(loss) from investment securities at FVOCI reclassified to income statement	167	-	-	167	-
Net gain/(loss) from foreign exchange operations	83,911	54,792	23,654	6,315	(850)
Net gain/(loss) from trading operations	9,906	(353)	306	9,953	-
Fee and commission income including:	118,179	20,782	96,663	734	-
<i>bank payment card operations</i>	85,559	-	85,559	-	-
<i>settlement and cash operations with clients</i>	30,513	19,522	10,497	494	-
<i>documentary operations</i>	1,415	1,209	13	193	-
<i>foreign currency operations</i>	103	-	103	-	-
<i>other</i>	589	51	491	47	-
Fee and commission expenses including:	(35,882)	(2,058)	(32,775)	(1,049)	-
<i>bank payment card operations</i>	(31,015)	-	(31,015)	-	-
<i>maintenance of bank accounts</i>	(2,607)	(2,003)	(157)	(447)	-
<i>foreign currency operations</i>	(792)	-	(236)	(556)	-
<i>payments accepted in favor of the bank</i>	(297)	-	(297)	-	-
<i>documentary operations</i>	(56)	(55)	-	(1)	-
<i>other</i>	(1,115)	-	(1,070)	(45)	-
Net gain/(loss) on operations with precious metals	303	-	303	-	-
Recovery/(charge) of provisions for expected credit losses on contingent liabilities	(1,078)	(821)	(255)	-	-
Other income	10,806	796	6,147	-	3,863
Net non-interest income	177,902	73,138	94,043	7,708	3,013
Net transfer income/(loss) from operating segment	-	(67,656)	11,457	12,190	44,009
Operating income	277,709	126,684	127,977	(21,066)	44,114
Operating expenses	(159,019)	(56,487)	(80,815)	(5,718)	(15,999)
Profit before tax	118,690	70,197	47,162	(26,784)	28,115
Income tax expense	(27,973)	-	-	-	(27,973)
Net profit	90,717	70,197	47,162	(26,784)	142

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*(in thousands of Belarusian rubles)***34. Segment analysis (continued)**

Information on profit and loss by operating segment for 2021 is presented below:

	<i>Year ended 31 December 2021</i>	<i>Corporate Business</i>	<i>Retail Business</i>	<i>Investment and Banking Business</i>	<i>Unallocated amounts</i>
Interest income calculated using the effective interest rate method	282,414	171,117	89,189	22,108	-
Other interest income	7,317	1,562	-	5,755	-
Interest expenses	(130,756)	(36,260)	(40,778)	(53,578)	(140)
Net interest income	158,975	136,419	48,411	(25,715)	(140)
Charge of allowances for expected credit losses on financial assets	(16,938)	(12,700)	(4,462)	1,915	(1,691)
Net interest income after allowances for expected credit losses on financial assets	142,037	123,719	43,949	(23,800)	(1,831)
Loss on initial recognition of financial instruments	(6,137)	(5,665)	-	-	(472)
Net (loss)/gain from investment securities at FVOCI reclassified to income statement	(582)	-	-	(582)	-
Net gain/(loss) from foreign exchange operations	32,415	15,924	10,468	5,840	183
Net gain/(loss) from trading operations	(7,896)	(1)	-	(7,895)	-
Fee and commission income	101,203	20,959	79,930	314	-
<i>including:</i>					
<i>bank payment card operations</i>	69,338	-	69,338	-	-
<i>settlement and cash operations with clients</i>	29,638	19,488	10,000	150	-
<i>documentary operations</i>	1,556	1,448	-	108	-
<i>foreign currency operations</i>	128	-	128	-	-
<i>other</i>	543	23	464	56	-
Fee and commission expenses	(23,349)	(1,418)	(21,514)	(415)	(2)
<i>including:</i>					
<i>bank payment card operations</i>	(20,292)	-	(20,292)	-	-
<i>maintenance of bank accounts</i>	(1,326)	(1,146)	(74)	(104)	(2)
<i>foreign currency operations</i>	(333)	-	(98)	(235)	-
<i>payments accepted in favor of the bank</i>	(282)	-	(282)	-	-
<i>documentary operations</i>	(280)	(272)	-	(8)	-
<i>other</i>	(836)	-	(768)	(68)	-
Net gain/(loss) on operations with precious metals	307	-	307	-	-
Recovery/(charge) of provisions for expected credit losses on contingent liabilities	243	185	58	-	-
Other income	12,632	820	7,884	449	3,479
Net non-interest income	108,836	30,804	77,133	(2,289)	3,188
Net transfer income/ (loss) from operating segment	-	(51,893)	6,979	19,443	25,471
Operating income	250,873	102,630	128,061	(6,646)	26,828
Operating expenses	(160,534)	(57,744)	(83,928)	(5,229)	(19,639)
Profit before tax	90,339	44,886	44,133	(11,875)	13,195
Income tax expense	(12,905)	-	-	-	(12,905)
Net profit	77,434	44,886	44,133	(11,875)	290

(in thousands of Belarusian rubles)

34. Segment analysis (continued)

Information on assets and liabilities by operating segment as at 31 December 2022 and 31 December 2021 is presented below:

	31 December 2022	Corporate Business	Retail Business	Investment and Banking Business	Unallocated amounts
Assets	4,177,099	1,898,623	482,885	1,500,283	295,308
Liabilities	3,306,256	1,210,297	1,112,129	770,046	213,784
	31 December 2021	Corporate Business	Retail Business	Investment and Banking Business	Unallocated amounts
Assets	3,848,088	1,886,149	542,601	1,151,169	268,169
Liabilities	3,074,691	942,499	1,075,692	864,116	192,384

Transactions with residents of the Republic of Belarus account for the largest part of revenue from transactions with customers. Most of the non-current assets are located in the Republic of Belarus.

The calculation of transfer income and expenses of operating segments is based on the Bank's funding matrix for the reporting period.

The construction of the funding matrix consists of correlating the Bank's liabilities and assets (funding certain assets with certain liabilities) in accordance with a set of certain methodological rules.

Transaction income from an operating segment occurs when the liabilities of that operating segment are used to fund the assets of another operating segment. The transfer expense of an operating segment occurs when the assets of a given operating segment are funded by liabilities of another operating segment.

35. Fair value of financial instruments

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

As at 31 December 2022	Valuation date	Fair value measurement using			Total
		Level 1 inputs	Level 2 inputs	Level 3 inputs	
Assets measured at fair value					
Precious metals	31 December 2022	300	–	–	300
Derivative financial assets	31 December 2022	–	108	–	108
Securities at fair value through profit and loss	31 December 2022	–	–	89,993	89,993
Investment securities – debt securities at FVOCI	31 December 2022	–	446,326	7,737	454,063
Investment securities – equity securities with market quotations at FVOCI	31 December 2022	10,029	–	–	10,029
Other non-listed equity instruments	31 December 2022	–	–	1,088	1,088
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2022	984,815	–	–	984,815
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	31 December 2022	–	–	29,767	29,767
Loans to customers	31 December 2022	–	–	2,336,480	2,336,480
Investment securities - debt securities measured at amortized cost	31 December 2022	–	–	7,589	7,589
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2022	–	3	–	3
Liabilities for which fair values are disclosed					
Due to banks and other financial institutions	31 December 2022	–	–	743,049	743,049
Due to customers	31 December 2022	–	–	2,293,119	2,293,119
Debt securities issued	31 December 2022	–	–	22,080	22,080
Subordinated debt	31 December 2022	–	–	188,262	188,262

*(in thousands of Belarusian rubles)***35. Fair value of financial instruments (continued)**

<i>As at 31 December 2021</i>	<i>Valuation date</i>	<i>Fair value measurement using</i>			<i>Total</i>
		<i>Level 1 inputs</i>	<i>Level 2 inputs</i>	<i>Level 3 inputs</i>	
Assets measured at fair value					
Precious metals	31 December 2021	324	–	–	324
Derivative financial assets	31 December 2021	–	22	–	22
Securities at fair value through profit and loss	31 December 2021	75,850	–	–	75,850
Investment securities – debt securities at FVOCI	31 December 2021	–	–	401,508	401,508
Investment securities – equity securities with market quotations at FVOCI	31 December 2021	9,650	–	–	9,650
Other non-listed equity instruments	31 December 2021	–	–	892	892
Assets for which fair values are disclosed					
Cash and cash equivalents	31 December 2021	705,508	–	–	705,508
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	31 December 2021	–	–	25,841	25,841
Loans to customers	31 December 2021	–	–	2,425,097	2,425,097
Liabilities measured at fair value					
Derivative financial liabilities	31 December 2021	–	206	–	206
Liabilities for which fair values are disclosed					
Loans from the National Bank of the Republic of Belarus	31 December 2021	–	–	74,891	74,891
Due to banks and other financial institutions	31 December 2021	–	–	786,127	786,127
Due to customers	31 December 2021	–	–	1,977,193	1,977,193
Debt securities issued	31 December 2021	–	–	32,162	32,162
Subordinated debt	31 December 2021	–	–	167,838	167,838

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

For financial assets and liabilities carried at amortized cost with short maturities (less than 3 months) it is assumed that the carrying amounts approximates fair value. This assumption is also applied to demand deposits and current accounts without maturity.

With respect to derivative financial assets and liabilities related to Level 2 of the fair value hierarchy, the following valuation techniques and key inputs are used:

discounted cash flows are applied to foreign currency derivative contracts. Future cash flows are measured using the interest rate parity model. The rates used are rates for short-term interbank placements denominated in the corresponding currency and having the corresponding maturity;

the net result between the fair value of the claim to receive cash flows/securities and obligation to deliver/refund securities/pay cash is applied to derivative contracts with securities. Quoted bid prices in an active market are assumed to be the fair value of a claim/obligation with respect to securities. The cash flow calculated on the basis of the duration and conditions of the contract is assumed to be the fair value of a claim/obligation to receive/deliver cash.

The financial assets and liabilities presented below are classified by the Bank within Level 3 of the fair value hierarchy.

Due from the National Bank of the Republic of Belarus, banks and other financial institutions

The fair value of term deposits in banks, according to management, is not significantly different from the carrying amount as all deposits are placed with a floating interest rate or a fixed interest rate that corresponds to the market rate.

Loans to customers

Loans to customers have both floating and fixed interest rates.

The fair value of loans with floating rates, according to management, approximates their carrying amount.

For loans with fixed rates, there is a practice to renegotiate interest rates to reflect current market conditions, as a result, interests on most balances are accrued at rates approximating market rates. Due to these factors, the fair value of loans with a fixed rate does not materially differ from their carrying amount.

*(in thousands of Belarusian rubles)***35. Fair value of financial instruments (continued)****Investment securities**

Debt investment securities issued in Belarusian rubles are measured at fair value with the use of observable data on the organized market: value of purchase and sale transactions for similar debt securities with a similar risk level, maturity and currency.

The fair value of debt investment securities that do not have an active market and for which, therefore, it is difficult to determine market quotations, is based on certain Level 3 valuation techniques disclosed below.

The fair value of investment securities at amortized cost in Belarusian rubles is not significantly different from the carrying amount, since the discount method using the market interest rate is used to determine it.

Due to banks and other financial institutions

Loans from banks and other financial institutions have both floating and fixed interest rates. The fair value of borrowed funds at floating interest rates, according to management, approximates their carrying amount.

For the majority of loans with fixed-rate maturities do not exceed one year. Due to these factors, the fair value of loans with a fixed rate does not materially differ from their carrying amount.

Due to customers

Customer deposits have both floating and fixed interest rates. The fair value of deposits with floating rates, according to management, approximates their carrying amount.

For deposits with fixed rates, there is a practice to renegotiate interest rates to reflect current market conditions, as a result, interests on most balances are accrued at rates approximating market rates. Due to these factors, the fair value of deposits with a fixed rate does not materially differ from their carrying amount.

Debt securities issued

Debt securities are issued by the Bank at fixed rates. On the whole, the debt financial instruments rates are in line with the market rates. The management believes that the fair value of such instruments does not significantly differ from their carrying amount.

Subordinated debt

The fair value of subordinated debt carried at amortized cost is calculated as the present value of cash flows using the relevant market rate for these instruments as at the reporting date.

The following table shows the carrying amount of subordinated debt and their fair value:

	<i>Level of the fair value hierarchy</i>	<i>31 December 2022</i>		<i>31 December 2021</i>	
		<i>Carrying amount</i>	<i>Fair value</i>	<i>Carrying amount</i>	<i>Fair value</i>
Subordinated debt	Level 3	192,584	188,262	174,702	167,838

Movements in Level 3 assets and liabilities measured at fair value

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

	<i>Investment securities - debt securities at FVOCI</i>	<i>Securities at FVTPL</i>
Financial assets		
As at 31 December 2021	401,508	-
Total gain recorded in profit and loss	6,819	8,575
Total gain recorded in other comprehensive income	47,304	-
Purchases	39,570	-
Sales	(20,443)	-
Repayments	(20,695)	(5,501)
Transfers between hierarchy levels	(446,326)	86,919
As at 31 December 2022	7,737	89,993

*(in thousands of Belarusian rubles)***35. Fair value of financial instruments (continued)**

	<i>Investment securities – debt securities at FVOCI</i>
Financial assets	
As at 31 December 2020	–
Total gain/(loss) recorded in profit and loss	2,716
Total gain/(loss) recorded in other comprehensive income	(31,605)
Purchases	–
Sales	–
Repayments	–
Transfers between hierarchy levels	430,397
As at 31 December 2021	401,508

On 31 December 2022, the Bank transferred investment securities measured at fair value through other comprehensive income from Level 3 to Level 2 of the fair value hierarchy as a result of a change in the valuation model and in order to determine fair value by using yield from issues of comparable securities for which there are observable price quotations in an active market. The total carrying value of the transferred assets amounted to BYN 446,326 thousand.

Also, securities at fair value through profit and loss with a total carrying amount of BYN 86,919 thousand were transferred from Level 1 to Level 3 of the fair value hierarchy. The reason for the transfer of the latter was the Bank's lack of access to an active market.

On 31 December 2021, the Bank transferred investment securities measured on fair value through other comprehensive income from Level 2 to Level 3 of the fair value hierarchy. The carrying amount of the transferred assets totaled BYN 430,397 thousand. The transfer from Level 2 to Level 3 was due to the fact that inputs used in valuation models ceased to be observable on the market. Prior to the transfer, the fair value of financial instruments was determined based on observable market transactions or binding broker quotes for the same or similar instruments. Since the transfer, these financial instruments have been valued using valuation models that incorporate significant unobservable inputs.

Gains or losses from Level 3 financial instruments included in other comprehensive income for the year comprise:

	2022			2021		
	<i>Realized gain/(loss)</i>	<i>Unrealized gain/(loss)</i>	<i>Total</i>	<i>Realized gain/(loss)</i>	<i>Unrealized gain/(loss)</i>	<i>Total</i>
Total gains and losses recorded in other comprehensive income for the period	–	47,304	47,304	–	(31,605)	(31,605)

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

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

<i>As at 31 December 2022</i>	<i>Carrying amount</i>	<i>Valuation technique</i>	<i>Unobservable inputs</i>	<i>Range (weighted average value)</i>
Investment securities measured at FVOCI	7,737	The cost was determined using the discounting method based on observable market rates for comparable securities	Discount rate	12.12%-12.98%
Securities measured at fair value through profit and loss	89,993	The cost was determined using the discounting method based on the estimated rate of return on exchange prices	Calculated rate of return on exchange prices, weighted by the adjustment factor for the probability of receiving payments	4.14%-16.1%

To calculate the discount rate for securities in Belarusian rubles, the Bank used the observable yield on similar securities. For securities denominated in foreign currency, the discounted value calculation method is used based on the estimated rate of return of exchange prices.

*(in thousands of Belarusian rubles)***35. Fair value of financial instruments (continued)**

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

	<i>As at 31 December 2022</i>		<i>As at 31 December 2021</i>	
	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>	<i>Carrying amount</i>	<i>Effect of reasonably possible alternative assumptions</i>
Financial assets				
Investment securities measured at FVOCI	7,737	from (378) to 405	401,508	from 0 to (34,199)
Securities measured at fair value through profit and loss	89,993	from 0 to 9,481	–	–

36. Capital management

The following table analyzes the Bank's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basel Committee (Basel II):

	<i>31 December 2022</i>	<i>31 December 2021</i>
Composition of regulatory capital		
Tier 1 capital		
Share capital	535,944	535,944
Retained earnings	297,807	247,783
Total Tier 1 capital	833,751	783,727
Subordinated debt	42,534	38,585
Investment securities revaluation reserve	37,092	(10,330)
Total regulatory capital	913,377	811,982
Risk-weighted assets	4,668,437	4,067,475
Capital adequacy ratios		
Tier 1 capital	18%	19%
Total capital	20%	20%

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain ratios of Tier 1 capital (4%) and total capital (8%) to total risk-weighted assets.

The Bank manages its capital to ensure compliance with legislation requirements and ability to continue as a going concern while maximizing the return to shareholders through the optimization of the debt-to-equity ratio of the Bank.

The Bank's management reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the Bank's own regulatory funds with quantified assessment of the risks it undertakes (risk-weighted assets). The Bank's management estimates the amount of capital required to achieve strategic objectives and the planned increase of assets, as well as optimal balance between profitability and capital adequacy, considering requirements of the shareholders, partners of the Bank as well as banking supervisory and regulatory authorities. The Bank performs analysis of risk factors that influence the Bank's capital and optimizes these risks by means of a balanced funding policy.

The National Bank of the Republic of Belarus sets and controls performance of the following requirements to the regulatory capital of the Bank calculated based on the financial information prepared in accordance with the legislation of the Republic of Belarus:

Ratio of Tier 1 fixed capital to risk-weighted assets – 4.5% (7% taking into account the conservation buffer; 7% taking into account the conservation and countercyclical⁶ buffers; 8.0% taking into account the conservation, countercyclical and systemic importance buffers);

⁶ The value of the countercyclical buffer is set by the National Bank of the Republic of Belarus in the range from 0 to 2.5%; as at 31 December 2021 and during the reporting year, this value was set at 0%.

(in thousands of Belarusian rubles)

36. Capital management (continued)

Ratio of Tier 1 capital to risk-weighted assets – 8.0%;

Ratio of regulatory capital of the Bank to risk-weighted assets – 10% (12.5% taking into account the conservation buffer).

As at 31 December 2022 and 31 December 2021, the Bank ensured compliance with legal regulatory requirements in relation to capital.

37. Risk management policies

Risk management is fundamental to the Bank's business. The Bank manages risks in the course of an ongoing process of identification, assessment and monitoring as well as through establishing risk limits and other control measures. The Bank's activities are subject to credit risk, liquidity risk and market risk, which comprises risks associated with changes in interest rates, currency exchange rates, as well as stock and commodity prices. The Bank's activities are also subject to operational risks and other non-financial risks (reputational and strategic risks).

Risk management structure

The Board of Directors carries general responsibility over risks identification and control. The Board of Directors ensures general organization of the risk management system, elimination of conflicts of interest and conditions to its occurrence within the risk management process. The Board of Directors approves the risk management system development strategy and the Risk Management and Capital Policies of the Bank, determines the maximum risk exposure in the form of tolerance risk which is defined as the acceptable (safe) risk level for ensuring the financial reliability and long-term operation of the Bank on the basis of the strategy, nature, scope and complexity of the types of activity and the financial position. The Risk Committee of the Board of Directors bears responsibility for creating an effective risk management system of the Bank, ensuring the appropriate level of financial reliability and information security, ensuring compliance of the Bank's risk profile with the strategic characteristics of its activity, exercising control over the compliance with the established restrictions (limits) according to the Bank's risk level (including the risk appetite). The Management Board organizes the Bank's risk management system and ensures that the Bank performs the objectives and goals set forth by the Board of Directors in the relevant sphere. The Management Board within its respective authorities, approves regulations on the management of certain risk types that are developed to implement the strategic development plan and in compliance with the Risk Management and Capital Policies set forth the procedure and the frequency for the provision of risk reports to the governing bodies, collective bodies of the Bank, monitors the adoption of measures to reduce (limit) risks. The Management Board bears responsibility for the operating effectiveness of the risk management system, for the maintenance of adequate risk profile of the Bank. Committees implement policies for managing certain risk types, set limits and restrictions for certain types of banking operations, financial instruments or operators, exercise control over prescribed risk levels and make decisions aimed at minimizing negative impact of the risks on the Bank's activities. Credit Committees, the Assets and Liabilities Management Committee, the Restructuring Committee make decisions on operations exposed to risks within the authority delegated by the Management Board.

The Risk Management Department coordinates the risk management process, develops techniques to assess the level of credit, market, operational, liquidity, reputational and strategic risks, regularly assesses and monitors the specified risks and aggregated risk of the Bank, performs risk stress testing, carries out independent expert review of the credit transactions within the prescribed authority and prepares risk reports for the management of the Bank, shareholders and stakeholders of the Bank. The Risk Management Department is independent from subdivisions (officers) of the Bank generating main risks of the Bank, which allows to ensure the provision of complete and accurate information on risk profile of the Bank to the management of the Bank.

Within the internal control system, the Internal Audit Department assesses whether methodology and procedures on risk management are fully and effectively implemented, assesses the management effectiveness of certain types of risks and the risk management system of the Bank as a whole.

Departments of the Bank (individual officers) are responsible for risk identification for the lines of business, development and implementation of measures for minimization and operational control over risks related to their operation within the given authority.

As a part of risk management measures the Bank provides employees with powers of attorney which define authority levels that do not require approval of management bodies of the Bank.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Risk assessment and reporting systems

The Bank's risks are evaluated based on probability-weighted quantitative methods allowing to establish the maximum threshold of possible loss in monetary terms, which will not be exceeded with a certain level of probability. The Bank also simulates the "stress scenarios" which will take place in case unlikely events occur.

A system of limits is in place in the Bank to monitor and control risks. The Bank's system of limits is multilevel and includes limits for specific counterparties, portfolios, groups of assets and operations of the Bank recognized both in and off the balance sheet, limits on transactions with certain financial instruments, limits on the amount of loss, as well as limits on authorities and structural limitations. In the course of its activities the Bank takes into account the prudential ratios set by the National Bank. The main basis for limits setting is the maximum risk tolerance, which should not exceed the available equity of the Bank (for the year 2022 the Board of Directors approved a threshold of 85% of the Bank's available equity).

The management bodies of the Bank make decisions aimed at optimization of risk levels and also set limits on maximum risk for particular activities. They also set maximum risk levels at which the activity bearing the risk is suspended and steps aimed at risk minimization and mitigation are taken. The Assets and Liabilities Management Committee sets limits for divisions of the Bank on certain active and passive operations, interest rate level associated with them, limits on active operations with financial institutions, limits on operations with securities, industry limits of credit risk. Credit Committees approve aggregate limits and sub-limits on certain types of active transactions with corporate clients, limits on the amount of borrowers financing and the terms for financing.

The Management Board distributes and approves maximum risk for various banking activities in accordance with strategic priorities and analysis of the existing trends in the Bank and their possible future changes submitted by the Risk Management Department.

Regional offices must adhere to the principles of risk management accepted by the Bank. Control over compliance with the set limits is performed on an on-going basis. Such control is performed by the employees who execute banking transactions in an ordinary course of business, by the Internal Control and Audit Department in the course of audits, by the Risk Management Department in the course of risk evaluation and monitoring, by the Reporting Department during preparation of prudential financial statements. External control is carried out by the Revision Commission of the Bank.

Information on all types of activities is examined and processed with the purpose of analysis, control and early risk identification. The information together with relevant commentary is submitted to the Board of Directors, the Risk Committee of the Board of Directors, the Management Board, shareholders of the Bank, committees of the Bank responsible for management of certain risks control, and to the managers of departments of the Bank. The reports contain information on the Bank's capital adequacy, risk profile, the levels of aggregate risk and certain risk types, major factors influencing these levels and changes in risk level. The Management Board receives a detailed quarterly report on risks with the information necessary for risks evaluation and decision-making. Additionally, each month the Risks Committee of the Board of Directors is informed on the amount of the economic and available capital of the Bank and on the Bank's capital adequacy.

The system of risk reporting implemented in the Bank enables access of all departments to the accurate information which is required for the management decisions.

Excessive concentration of risks

Risk concentration occurs in case a number of counterparties perform similar activities or activities taking place in one geographical region, or parties have similar economic characteristics. As a result of changes in economic, political and other conditions risk concentration has similar impact on the ability of these parties to meet their contractual obligations. Risk concentration reflects relative sensitivity of the Bank's performance to the changes in conditions which have impact on particular industry or geographical region.

In order to avoid excessive risk concentration, the Bank's policies and procedures comprise guidelines and limits aimed at maintenance of diversified portfolios, including by the types of active operations, industries, the sources of their resources, currency types.

Credit risk

Credit risk is the risk that the Bank will incur losses in case its clients or counterparties do not meet their contractual obligations. The Bank manages credit risk by setting maximum risk it is ready to accept for certain counterparties, geographical and industry risk concentration, as well as by monitoring compliance with the credit limits set.

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)**

Credit risk is managed in three directions: transactions with corporate clients, transactions with retail customers, transactions with financial institutions.

Levels of assumed credit risk are managed by the following procedures:

- Segregation of duties between authorized management bodies in decision-making process;
- Limits setting for operations with the purpose of credit risk minimization;
- Regular analysis of debtors' financial position and their ability to meet credit obligations;
- Requirement of collateral for credit operations in order to limit risk exposure;
- Constant monitoring of the level and status of the risks taken and preparation of appropriate risk reports to the Board of Directors, the Risk Committee of the Board of Directors, the Management Board, shareholders of the Bank and other stakeholders;
- Evaluating and ensuring capital adequacy necessary for coverage of risks taken by the Bank in the course of business;
- Ongoing internal control over adherence to the policies regulating operations, risks assessment and management carried out by the Internal Control and Audit Department.

Off-balance sheet credit commitments represent unused credit lines, guarantees and not covered letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a counterparty to comply with the contractual terms and conditions. In relation to credit risk associated with off-balance sheet financial instruments the Bank potentially carries loss which equals to total amount of unused credit lines. However, the probable amount of loss is less than total amount of unused credit lines since in the majority of cases commitments on loans arise if the clients meet certain creditworthiness indicators. The Bank applies the same credit policy to credit related liabilities as it does to loans, which is based on the procedures of approval of loans granting, setting of risk limits and constant monitoring.

Maximum credit risk exposure

For financial assets recognized in the statement of financial position the maximum exposure to credit risk equals to a carrying amount of those assets, net of expected credit losses. For financial guarantees and other financial credit related liabilities, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in case of credit lines commitments, if the loan amount was called on.

The maximum amount of credit risk of the Bank may vary significantly depending on individual risks of different assets and general market risks.

The following table presents the maximum exposure to credit risk on financial assets and financial credit related liabilities.

	31 December 2022	31 December 2021
Cash and cash equivalents (excluding cash on hand)	871,281	627,617
Securities at fair value through profit and loss	89,993	75,850
Derivative financial instruments	108	22
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	29,767	25,841
Loans to customers	2,336,480	2,425,097
Investment securities (excluding equity investments)	461,652	401,508
Other financial assets	75,498	12,152
Financial guarantees issued and similar commitments	11,083	13,813
Letters of credit not covered by cash	-	4,958
Total	3,875,862	3,586,858

When measuring credit risk and expected credit losses, the Bank assesses whether the credit risk of a financial asset has increased significantly since initial recognition.

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)*****Significant increase in credit risk***

When determining whether the credit risk on a financial asset 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 assessment and including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative changes in PDs, which manifests in a decrease of the rating, and qualitative factors, including a backstop based on delinquency.

Using its expert credit judgment and, where possible, relevant historical experience, the Bank may determine that an exposure of a financial asset has undergone a significant increase in credit risk based on particular qualitative indicators that it considers are indicative of such and whose effect may not otherwise be fully reflected in its quantitative analysis on a timely basis.

The Bank recognizes a significant increase of credit risk using the following list of qualitative characteristics:

Internal rating of the debtor since initial recognition of a credit liability has decreased by 2 or more levels of the internal credit rating;

Seizure of the debtor's current accounts (suspension of operations) as at the reporting date;

Existence of overdue amounts payable as at the last reporting quarter date exceeding revenue as at the respective date;

Occurrence of force majeure circumstances or other factors indicating an increase in credit risk (with the respective decision of the Bank's authorized body that other factors may affect the quality of serving the debt to be repaid to the Bank);

Restructuring of debt on a financial asset caused by commercial need (not related to the deterioration of the financial condition of the debtor);

Imposition of sanctions on a counterparty bank by controlling authorities and regulators;

Non-compliance with the capital requirements, including capital adequacy, liquidity, set by the supervisory authority of the country, where the bank is registered;

The establishment of the interim management administration;

Loss of ability to dispose of financial assets, if less than 360 days have passed since the loss of such ability;

Long-term credit rating of financial institutions (except for residents of the Republic of Belarus) was assigned at the reporting date at the level below "B-" in accordance with the master scales of the rating agencies analyzed by the Bank.

As at 31 December 2022, the impact of the transition of all financial assets assigned by the Bank to the first stage to the second stage in case of realization of any of the criteria indicating a significant increase in credit risk would lead to an increase in the amount of allowances for expected credit losses by BYN 2,455 thousand or 1.6%.

As at 31 December 2021, the impact of the transition of all financial assets assigned by the Bank to the first stage to the second stage would lead to an increase in the amount of allowances for expected credit losses by BYN 2,624 thousand or 2.0%.

As an indicator of a significant credit risk increase for a financial asset since its initial recognition, the Bank considers an overdue debt on principal and interest for the asset from 31 to 90 days, or up to 14 days for assets with counterparty banks and of security issuers. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)*****Impairment of financial instruments***

Impairment events include the following factors:

- Existence as at reporting date of principal and/or interest amounts payable to the Bank under a contract that are overdue by 90 or more days for corporate customers and individuals and for a period of more than 14 days for counterparty banks and issuers of securities;
- Loss of the ability to dispose of financial assets, if 360 days or more have passed since the loss of such an ability;
- Presence of debt on principal on off-balance accounts of the Bank;
- Recognition of property in the balance of the Bank to pay off debt;
- Loss of a counterparty bank recognized as at two or more quarter dates in a row amounting to more than 25% of the capital as at the last quarter date;
- Decrease of the debtor's internal rating to "D" grade;
- Restructuring of the debt under a financial asset related to a deteriorated financial position of the debtor (recognized in case of the respective decision of the Bank's authorized body);
- The debtor has been recognized as insolvent (bankrupt);
- A claim has been filed to recognize the debtor as insolvent (bankrupt), and the court rendered a decision to initiate legal proceedings on the claim;
- An authorized body of the Bank has decided to early collect the debtor's debt;
- Revocation of the license of a counterparty bank to carry out its activities that may affect the fulfillment of its obligations.

Purchased or originated credit-impaired financial asset (POCI asset)

The decision whether it is necessary to designate financial assets as POCI assets is made in the following cases:

- Origination of a new financial asset issued by the Bank as part of a credit-impaired asset restructuring;
- Origination of a financial asset on derecognition of a credit-impaired financial asset due to a significant modification of original terms;
- Purchase of a financial asset with indication of impairment.

Definition of default

The Bank considers a financial asset to be in default when:

- The customer has been recognized as insolvent (bankrupt);
- A claim has been filed to recognize the customer as insolvent (bankrupt), and the court rendered a decision to initiate legal proceedings on the claim;
- An authorized body of the Bank has decided to early collect the customer's debt;
- The customer or a counterparty fails to fulfill its obligations to pay the principal and/or interest amounts to the Bank during more than 90 calendar days as at the rating calculation date, excluding counterparty banks and issuers of securities;
- An authorized body of the Bank has decided to perform a forced restructuring of the customer's debt due to a write-off of a significant portion of the debt or provision of a grace period for repaying the principal and interest amounts, after which, based on a reasoned conclusion of the authorized body agreed with the Risk Management Department, a decrease of the customer's liabilities under the loan transaction towards the Bank is expected.

Expected credit losses model

For the purpose of creating an allowance for the Bank's financial assets, the Bank applies the expected credit losses model to record changes in credit quality of a financial asset since initial recognition taking into account reasonable and appropriate historical information, factors specific to the debtor, current conditions and future economic situation.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Credit risk (continued)

Allowances for credit losses calculated using the expected credit losses model are measured as follows:

Based on 12-month ECL (12-month ECL are the portion of the lifetime ECL that represent expected credit losses arising due to default events related to a financial asset that are possible within 12 months after the reporting date);
or

Based on lifetime ECL in case of a significant increase in credit risk for the instrument since its initial recognition, as well as in case of its impairment or recognition as a POCI asset.

The Bank defines the following stages depending on the degree of credit risk change since initial recognition:

Stage 1 – “Satisfactory assets” – includes assets that are exposed to credit risk with no indicators of a significant increase in credit risk and impairment (12-month ECL are calculated);

Stage 2 – “Assets with a significant increase in credit risk” – includes assets that are exposed to credit risk and with indicators of a significant increase in credit risk and with no indicators of impairment (lifetime ECL are calculated). A financial asset is reclassified into Stage 1 in future periods if there are no indicators of impairment and a significant increase in credit risk. 12-month ECL are recognized in case of such reclassification;

Stage 3 – “Impaired assets” – includes assets that are exposed to credit risk and with indicators of impairment (lifetime ECL are calculated);

POCI assets – “Assets impaired at initial recognition.”

In future reporting periods, migration of financial assets from Stage 3 into Stage 2 or Stage 1 attributable to the restoration of financial assets credit quality is subject to certain restoration criteria, provided there are no indicators of impairment as at the reporting date, and indicators of a significant increase in credit risk exist (for Stage 2) or are absent (for Stage 1). POCI assets cannot migrate to other Stages.

While estimating expected credit losses as at 31 December 2022, the analysis of the impact on the financial indicators of the implementation of Decree No. 159 of the President of the Republic of Belarus *On the Recalculation of the Value of Assets and Liabilities* (hereinafter, Decree No. 159) by corporate clients was carried out. Decree No. 159 permits the currency exchange differences to be gradually recognized in the current financial result. The Decree was adopted to prevent a sharp decrease in the financial performance of business entities and to minimize negative impact of the fluctuations of the exchange rate of the Belarusian ruble.

In order to minimize the risk of underestimation of the factors of significant increase in credit risk in a deteriorating economic environment for clients, including the epidemiological situation and imposition of international sanctions against certain entities and industries of the Republic of Belarus, as at 31 December 2022, the financial assets of the clients that took advantage of Decree No. 159 and the implementation of which effected their financial indicators significantly, were assigned to Stage 2. These changes caused the increase in allowances for expected credit losses by BYN 120 thousand, or 0.1%.

Measurement of ECL

Allowances for expected credit losses are calculated based on the following variables:

Probability of default (PD);

Loss given default (LGD);

Exposure at default (EAD).

POCI assets at initial recognition do not have an allowance for impairment. Subsequently, ECL on POCI assets are measured at an amount equal to lifetime expected credit losses taking into account the effective interest rate adjusted for credit risk. The amount of the allowance recognized is equal to the difference between the present value of cash flows including credit losses calculated as at the date of measurement and the present value of cash flows including credit losses calculated upon the recognition of POCI assets.

Loss given default (LGD) is determined on an individual basis for each POCI asset taking into account the probability of the debtor’s fulfillment of obligations and assessment of possible recoverability when the debtor’s collateral is realized.

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)**

The following groups of financial instruments are distinguished when measuring expected credit losses:

- Cash equivalents;
- Loans (to corporate clients and individuals);
- Due from the National Bank of the Republic of Belarus, banks and other financial institutions;
- Financial credit related contingencies (financial guarantees, letters of credit, unused credit lines etc.);
- Accounts receivable and other financial assets;
- Claims to sovereign and sub-sovereign debtors.

Loans to individuals

Expected credit losses for loans to individuals are calculated on a portfolio basis. The annual PD for loans to individuals is determined by multiplying month migration matrices by overdue debt developed for a period of at least 12 months preceding the reporting date. For the purpose of calculating PD profiles for multiple years mathematical extrapolation methods are used.

To calculate the amount in case of default for loans to individuals the level of cash compensation is used. The level of cash compensation after default is calculated by comparing the principal amounts under defaulted loans with the principal amount as at the default date for the period of at least 3 years and, based on this comparison, the determination of the repayment cash flow for the loan for a year, which is compared to the principal amount upon default after being discounted using the effective interest rate. Based on the data obtained, the average level of cash recovery for defaulted loans is calculated.

EAD represents the expected credit risk exposure upon default including the Bank's balance of liabilities to provide cash to debtors as at the default date. For overdraft loans the Bank calculates the loan conversion ratio based on statistical information on the average ratio of the customers' debt to the overdraft limit for the period of at least 1 year. After that, the ratio is applied to the overdraft limit to calculate EAD in case of default.

Loans to corporate customers

The Bank measures expected credit losses for corporate clients' debt based on credit debt quality categories.

The assessment based on credit debt quality categories is based on the analysis of credit debt servicing quality, as well as on the credit history and other information about the debtor's business, which is available without undue cost or effort, and includes:

- Analysis of the credit debt servicing discipline;
- Distribution between stages depending on the degree of the credit risk change;
- Analysis of property specified as collateral under the loan agreement (property that, according to the expectations of a responsible department employee, is hard to sell in case of the debtor's default is not accepted as collateral);
- Forming a professional judgment as to whether a low credit rating for a financial asset can be recognized;
- Forming professional judgment as to a rebuttable assumption of a 30-day delay;
- Application of professional judgment redistributing financial assets between stages;
- Discounting cash flows at the reporting date using a rate that is equal to the effective interest rate for a financial asset;
- Calculation of an allowance according to the ECL model.

Probability of default

The annual PD is determined based on debtor risk class migration matrices using historical information for at least 1 year, including:

- Grouping internal ratings into 5 risk classes: A, B, C, E, D;

(in thousands of Belarusian rubles)

37. Risk management policies (continued)**Credit risk (continued)**

Development of matrices for the amount of transfers between the risk classes within 1 year with a breakdown by quarters to calculate the annual PD when assessing ECL on a portfolio basis;

Calculation of the annual PD by dividing the actual amount of transfers for a particular risk class by the total amount for this risk class when assessing ECL on a portfolio basis.

For the purpose of calculating PD profiles for multiple years mathematical extrapolation methods are used.

The grouping of internal ratings into the five risk classes of A, B, C, E, D is performed by the Bank using a compatibility table:

<i>Risk class</i>	<i>Debtor's internal rating</i>	<i>Group by overdue period (in days)</i>
A	AAA, AA+, AA, AA-, A	0
B	A-, BBB+, BBB	1-30
C	BBB-, BB+, BB, BB-, B+, B	31-60
E	B-, CCC, CC, C	61-90
D	D	90+(default)

Where the Bank cannot determine the internal rating of a debtor (due to a lack of financial information about the debtor), in order to calculate expected credit losses, the Bank uses PD, calculated using overdue amounts migration matrices. In the absence of a representative historical sample for the construction of the overdue amounts migration matrices the table of internal rating groups' comparability and overdue groups with a breakdown by risk classes is used.

Internal rating model

The internal rating of a debtor is determined in accordance with internal methods of the Bank and falls into 20 categories. The rating is determined by comparing the estimated value indicating the possibility of a debt being classified into the "Bad" category, which is calculated by using a model with fixed possibility intervals determined using the following scale for the respective rating grades assigned based on available information.

<i>Discrete value indicating the possibility of a debt being classified into the "Bad" category</i>	<i>Possibility of a debt being classified into the "Bad" category</i>		<i>Internal rating grade</i>	
	<i>Low end</i>	<i>Upper end</i>	<i>Numerical value</i>	<i>Letter identifier</i>
0.09%	0.00%	0.15%	20	AAA
0.21%	0.15%	0.34%	19	AA+
0.46%	0.34%	0.75%	18	AA
1.04%	0.75%	1.68%	17	AA-
2.32%	1.68%	2.58%	16	A+
2.83%	2.58%	3.14%	15	A
3.45%	3.14%	3.83%	14	A-
4.22%	3.83%	4.68%	13	BBB+
5.14%	4.68%	5.71%	12	BBB
6.28%	5.71%	6.97%	11	BBB-
7.66%	6.97%	8.50%	10	BB+
9.35%	8.50%	10.38%	9	BB
11.40%	10.38%	12.66%	8	BB-
13.92%	12.66%	15.45%	7	B+
16.98%	15.45%	18.85%	6	B
20.72%	18.85%	23.00%	5	B-
25.28%	23.00%	28.07%	4	CCC
30.85%	28.07%	34.25%	3	CC
37.65%	34.25%	100.00%	2	C
100.00%	100.00%	100.00%	1	D

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)**

The following table shows information on the credit quality of loans to corporate clients:

	12-month ECL	Lifetime ECL on assets that are not credit- impaired	Lifetime ECL on credit-impaired assets	POCI assets	31 December 2022
Loans to corporate customers					
Bank's risk-class of A	1,725	-	-	-	1,725
Bank's risk-class of B	457,123	120,909	-	-	578,032
Bank's risk-class of C	196,811	774,594	-	-	971,405
Bank's risk-class of E	7,150	118,128	-	-	125,278
Bank's risk-class of D	-	-	229,643	613	230,256
Not rated	83,895	26,730	3,201	-	113,826
Net investments in finance lease, corporate customers					
Bank's risk-class of B	721	-	-	-	721
Bank's risk-class of C	-	73	-	-	73
Bank's risk-class of E	-	48	-	-	48
Bank's risk-class of D	-	-	-	-	-
Not rated	144	-	-	-	144
Total loans to corporate customers	747,569	1,040,482	232,844	613	2,021,508
Less allowances for losses	(2,409)	(15,211)	(139,624)	(95)	(157,339)
Total loans to corporate customers	745,160	1,025,271	93,220	518	1,864,169

	12-month ECL	Lifetime ECL on assets that are not credit- impaired	Lifetime ECL on credit-impaired assets	POCI assets	31 December 2021
Loans to corporate customers					
Bank's risk-class of A	961	-	-	-	961
Bank's risk-class of B	319,507	144,851	-	-	464,358
Bank's risk-class of C	130,571	779,259	-	-	909,830
Bank's risk-class of E	10,029	254,967	-	-	264,996
Bank's risk-class of D	-	-	217,746	5,512	223,258
Not rated	117,219	22,336	4,222	-	143,777
Net investments in finance lease, corporate customers					
Bank's risk-class of B	67	-	-	-	67
Bank's risk-class of C	20	1,307	-	-	1,327
Bank's risk-class of E	-	1,640	-	-	1,640
Bank's risk-class of D	-	-	1,025	-	1,025
Not rated	6	-	-	-	6
Total loans to corporate customers	578,380	1,204,360	222,993	5,512	2,011,245
Less allowances for losses	(1,742)	(17,332)	(108,517)	(207)	(127,798)
Total loans to corporate customers	576,638	1,187,028	114,476	5,305	1,883,447

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*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)**

The credit quality of contingent liabilities is disclosed in the table below:

	Stage 1 <i>(12-month ECL)</i>	Stage 2 <i>(lifetime ECL on assets that are not credit-impaired)</i>	Stage 3 <i>(lifetime ECL on credit-impaired assets)</i>	Total <i>as at 31 December 2022</i>
Financial guarantees				
Bank's risk-class of A	-	-	-	-
Bank's risk-class of B	10,972	-	-	10,972
Bank's risk-class of C	-	-	-	-
Bank's risk-class of E	-	-	-	-
Not rated	111	-	-	111
Total financial guarantees	11,083	-	-	11,083
Less allowance for losses	(41)	-	-	(41)
Commitments on loans and unused credit lines				
Bank's risk-class of A	177,638	-	-	177,638
Bank's risk-class of B	108,343	20,536	-	128,879
Bank's risk-class of C	37,828	75,640	-	113,468
Bank's risk-class of E	1,059	1,382	-	2,441
Bank's risk-class of D	-	-	11	11
Not rated	23,495	1,410	10	24,915
Total commitments on loans and unused credit lines	348,363	98,968	21	447,352
Less allowance for losses	(747)	(374)	-	(1,121)
Letters of credit, not covered				
Bank's risk-class of C	-	-	-	-
Total letters of credit, not covered	-	-	-	-
Less allowance for losses	-	-	-	-

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*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)**

	Stage 1 <i>(12-month ECL)</i>	Stage 2 <i>(lifetime ECL on assets that are not credit-impaired)</i>	Stage 3 <i>(lifetime ECL on credit-impaired assets)</i>	Total <i>as at 31 December 2021</i>
Financial guarantees				
Bank's risk-class of A	34	-	-	34
Bank's risk-class of B	10,657	840	-	11,497
Bank's risk-class of C	855	641	-	1,496
Bank's risk-class of E	202	-	-	202
Not rated	607	-	-	607
Total financial guarantees	12,355	1,481	-	13,836
Less allowance for losses	(18)	(5)	-	(23)
Commitments on loans and unused credit lines				
Bank's risk-class of A	185,029	435	-	185,464
Bank's risk-class of B	58,470	48,894	-	107,364
Bank's risk-class of C	22,569	124,127	-	146,696
Bank's risk-class of E	581	2,601	-	3,182
Bank's risk-class of D	-	-	113	113
Not rated	22,379	433	25	22,837
Total commitments on loans and unused credit lines	289,028	176,490	138	465,656
Less allowance for losses	(614)	(623)	-	(1,237)
Letters of credit, not covered				
Bank's risk-class of C	-	4,989	-	4,989
Total letters of credit, not covered	-	4,989	-	4,989
Less allowance for losses	-	(31)	-	(31)

Loss given default

Loss given default (LGD) is measured taking into account the expected cash compensation and compensation through the available collateral. The approach towards the calculation of the total amount of LGD for a single financial asset is represented by assessing the portion of the asset unrecovered through the expected cash compensation and compensation through the available collateral. With respect to Stage 1 and Stage 2 financial assets, the expected cash compensation is applied in the amount calculated based on the statistics of compensation by customers in default for less than 1 year. With respect to Stage 3 financial assets, the cash compensation is calculated based on the statistics of compensation by customers in default for the corresponding number of years (LDG is taken in the amount of 100% for customers in default for a period of more than 4 years), with the exception of financial assets of large corporate debtors, for which an individual approach is taken to assess the level of monetary compensation. An individual approach involves determining the level of monetary compensation based on the strategy of interaction with the debtor (if any) and a reasoned judgment formed taking into account the information available to the Bank on the liabilities and cash flows of the debtor.

Due from financial institutions

For banks that have been assigned an international rating (except for the residents of the Russian Federation and the Republic of Belarus), the classification is based on such rating. The information on international ratings and respective probability of default received from external official sources is used. Ratings that were assigned using Moody's, S&P and Fitch methodologies are taken into account. For the resident banks of the Russian Federation and the Republic of Belarus, information obtained from external official sources on ratings assigned by the national rating agencies such as ACRA and Expert RA (hereinafter "national rating agencies"). For banks that have not been assigned an international (national) rating the rating of the country where a bank is a resident, degraded by one position, is used.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)**Credit risk (continued)**

The Bank uses the information available to the Bank at the reporting date from external official sources about the level of unfulfilled obligations after the default on the principal debt for funds placed in financial institutions, in order to calculate the amount of loss given default.

As at 31 December 2022, the PD corresponding to the pre-default rating was applied to the financial institutions assigned to Stage 2. If the contract does not specify the expected lifetime of the financial instrument the 18-month PD obtained by extrapolating the annual PD is used.

The following table shows information on the credit quality of cash equivalents:

	12-month ECL	Stage 2	31 December 2022	12-month ECL	31 December 2021
International rating of AA+	–	–	–	2,547	2,547
International rating of AA-	–	–	–	–	–
International rating of A+	455	–	455	119,608	119,608
International rating of A	5,243	–	5,243	2,375	2,375
International rating of A-	3,849	–	3,849	3,800	3,800
International rating of BBB+	9,153	–	9,153	702	702
International rating of BBB-	–	–	–	57,046	57,046
International rating of BB+	–	–	–	267	267
International rating of BB	38	–	38	–	–
International rating of BB-	176,363	–	176,363	–	–
International rating of B+	33,844	–	33,844	–	–
International rating of B	–	–	–	392,248	392,248
International rating of B-	66,212	–	66,212	49,246	49,246
International rating of CCC	561,814	–	561,814	–	–
International rating of CCC-	–	14,830	14,830	–	–
	856,971	14,830	871,801	627,839	627,839
Less allowances for losses	(397)	(123)	(520)	(222)	(222)
Total cash equivalents	856,574	14,707	871,281	627,617	627,617

The following table shows information about the credit quality of amounts due from the National Bank, banks and other financial institutions:

	12-month ECL	Lifetime ECL on assets that are not credit- impaired	31 December 2022	12-month ECL	Lifetime ECL on assets that are not credit- impaired	31 December 2021
International rating of AA	5,387	–	5,387	4,924	–	4,924
International rating of A	137	–	137	127	–	127
International rating of B	–	–	–	20,765	–	20,765
International rating of B-	372	–	372	–	–	–
International rating of CCC	23,940	–	23,940	–	–	–
International rating of CCC-	–	200	200	–	100	100
	29,836	200	30,036	25,816	100	25,916
Less allowances for losses	(168)	(101)	(269)	(24)	(51)	(75)
Total due from the National Bank of the Republic of Belarus, banks and other financial institutions	29,668	99	29,767	25,792	49	25,841

* Credit rating of national rating agencies is aligned with the rating of international rating agencies to ensure comparability of data.

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)***Investment securities*

In assessing the impairment of sovereign debtor claims, the S&P rating agency's annual default probability value corresponding to the rating assigned to the sovereign debtor is used. If the debtor does not have a rating assigned by the S&P international agency, the most current rating of other international or national agencies, reduced to the rating of the S&P international agency according to the table of compliance, is used.

In order to interpolate the annual indicator of probability of default on debt securities of financial institutions and sovereign organizations, the Bank uses turnover factors for the year on the respective securities issues.

In order to calculate the loss given default (LGD), the Bank uses information on unfulfilled obligations after default on principal, debt securities of financial institutions and sovereign organizations received from external official sources and available as at the date of calculation.

The following table provides information on the credit quality of debt investment securities as at 31 December 2022 and 2021:

	<i>12-Month ECL</i>	<i>31 December 2022</i>
Investment securities measured at FVOCI		
With international rating CCC+	446,763	446,763
With international rating CCC	7,300	7,300
Total debt investment securities measured at fair value through other comprehensive income	454,063	454,063
Less allowances for losses *	(41,254)	(41,254)
Carrying value - fair value of investment securities measured at FVOCI*	454,063	454,063
Investment securities measured at amortized cost		
With international rating CCC+	8,243	8,243
Less allowances for losses *	(654)	(654)
Total debt securities measured at amortized cost	7,589	7,589
	<i>12-Month ECL</i>	<i>31 December 2021</i>
Investment securities measured at FVOCI		
With international rating B	401,508	401,508
Total debt investment securities measured at fair value through other comprehensive income	401,508	401,508
Less allowances for losses	(10,096)	(10,096)
Carrying value - fair value of investment securities measured at FVOCI*	401,508	401,508

* Debt investment securities at FVOCI are stated at fair value, while the loss allowance is recognized in other comprehensive income.

Other financial assets

The Bank assesses the probability of non-recovery under other financial assets and calculates expected credit losses by means of allowance matrices representing the ratio of the relevant receivables amount with the overdue period of 360+ to outstanding receivables balances (outstanding receivables balances migrated to the following group of overdue amounts) broken down by age and homogeneous characteristics of portfolios. The Bank applies the allowance matrices in the valuation of receivables, as well as accrued commission revenues and penalties and financial assets.

The statute of limitations of the analyzed data for the calculation of allowance matrices for other financial assets is accepted not less than 2 years.

Based on the fact that receivables and accrued fee and commission income and penalties are usually of a short-term nature and the repayment of debts under these financial assets is carried out throughout the short-term period – 1 year, the Bank refers to the default event as at the reporting date as the overdue group "360+."

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)*****Incorporation of forward-looking information***

If necessary, the Bank uses expert judgment to assess forward-looking information from external sources. External sources of information include economic data and forecasts published by state authorities, international organizations, as well as other information sources with a high degree of credibility.

The Bank has determined and documented a list of key factors affecting the credit risk and credit losses assessment for each portfolio of financial assets and, through the analysis of historical data, has analyzed the relationship between macroeconomic variables, credit risk and credit losses.

As at 31 December 2022, the key factors include:

For loans to corporate customers and amounts due from financial institutions: projections on GDP growth rate and change in BRENT oil prices;

For loans to individuals: projections on the real salary growth rate.

To prepare a scenario for macroeconomic indicators, macroeconomic projections data from several sources is used, assigning a specific weight to each of those sources and "optimistic" (20%), "basic" (45%), "negative" (35%) statuses to record expert expectations regarding macroeconomic projections.

Taking into account that the credit risk of the Bank is concentrated in the Republic of Belarus, the economic scenarios of the growth rate of GDP and BRENT oil price with respect to legal entities and the real salary growth rate with respect to individuals used as at 31 December 2022 included the following values for the Republic of Belarus:

	<i>Value, p.p.</i>	<i>Scenario, %</i>
GDP growth rate for 2023	-2.3	Negative, 35
	0.2	Basic, 45
	3.8	Optimistic, 20
	<i>Value, USD</i>	<i>Scenario, %</i>
BRENT oil price level for 2023	85.0	Negative, 35
	90.0	Basic, 45
	92.0	Optimistic, 20
	<i>Value, p.p.</i>	<i>Scenario, %</i>
Growth rate of real disposable income for 2023	-9.7	Negative, 35
	-4.2	Basic, 45
	4.1	Optimistic, 20

Predicted relationships between the key indicator and default events and loss levels for various portfolios of financial assets have been developed based on the analysis of historical data. The influence of the projected macroeconomic factors is taken into account in the calculation of expected credit losses by adjusting the probability of default value by the relevant macroeconomic coefficient.

Credit risk is constantly monitored to ensure compliance with established limits in accordance with the risk and capital management policy approved by the Bank and to control the creditworthiness of clients.

The macroeconomic adjustment applied to the probabilities of default in estimating expected credit losses on loans to customers as at 31 December 2022 was 1.2 for loans to individuals and 1.02 for loans to legal entities.

Collateral

A major portion of loans is either collateralized or secured with guarantees from institutions or individuals. The amount and type of required collateral depends on the assessment of the credit risk of a counterparty. Guidelines are regularly updated regarding the acceptability of types of collateral and valuation parameters. The main types of the received collateral obtained are presented in Note 17.

The fair value of collateral is measured at the date the loan is issued. Monitoring of the market value of collateral is performed on a regular basis, its results are reported to the management of the Bank. If necessary, borrowers are requested to provide additional collateral in accordance with the underlying agreement.

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*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)****Geographical concentration**

The Bank regularly controls the risk associated with changes in legislation, economic development and financial sphere of countries, where the Bank's counterparties reside, and assesses its impact on the activities of the Bank (Note 32). This approach is aimed at minimization of possible losses from investment climate changes in the respective countries. The Assets and Liabilities Management Committee manages country risks of the Bank.

The geographical concentration of financial assets and liabilities is set out below:

	<i>Belarus</i>	<i>CIS</i>	<i>OECD countries</i>	<i>Other countries</i>	<i>31 December 2022 Total</i>
Financial assets					
Cash and cash equivalents	741,255	224,756	14,261	4,543	984,815
Securities at fair value through profit and loss	89,993	–	–	–	89,993
Derivative financial instruments, assets	–	108	–	–	108
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	24,264	–	5,366	137	29,767
Loans to customers	2,336,351	7	–	122	2,336,480
Investment securities	462,736	–	10,033	–	472,769
Other financial assets	35,653	4,493	35,352	–	75,498
Total financial assets	3,690,252	229,364	65,012	4,802	3,989,430
Financial liabilities					
Derivative financial instruments, liabilities	–	3	–	–	3
Loans from the National Bank of the Republic of Belarus	–	–	–	–	–
Due to banks and other financial institutions	201,677	528,193	13,179	–	743,049
Due to customers	2,232,117	30,553	16,295	14,154	2,293,119
Debt securities issued	22,080	–	–	–	22,080
Other financial liabilities	34,240	390	704	1,967	37,301
Subordinated debt	–	192,584	–	–	192,584
Total financial liabilities	2,490,114	751,723	30,178	16,121	3,288,136
Open position	1,200,138	(522,359)	34,834	(11,319)	

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Credit risk (continued)**

	<i>Belarus</i>	<i>CIS</i>	<i>OECD countries</i>	<i>Other countries</i>	<i>31 December 2021 Total</i>
Financial assets					
Cash and cash equivalents	519,130	57,331	127,920	1,127	705,508
Securities at fair value through profit and loss	75,850	-	-	-	75,850
Derivative financial instruments, assets	-	22	-	-	22
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	20,790	-	4,924	127	25,841
Loans to customers	2,424,948	1	-	148	2,425,097
Investment securities	402,396	-	9,654	-	412,050
Other financial assets	10,449	355	1,348	-	12,152
Total financial assets	3,453,563	57,709	143,846	1,402	3,656,520
Financial liabilities					
Derivative financial instruments, liabilities	181	25	-	-	206
Loans from the National Bank of the Republic of Belarus	74,891	-	-	-	74,891
Due to banks and other financial institutions	186,451	542,455	57,221	-	786,127
Due to customers	1,926,766	26,686	21,947	1,794	1,977,193
Debt securities issued	32,162	-	-	-	32,162
Other financial liabilities	12,056	1,512	1,328	31	14,927
Subordinated debt	-	174,702	-	-	174,702
Total financial liabilities	2,232,507	745,380	80,496	1,825	3,060,208
Open position	1,221,056	(687,671)	63,350	(423)	

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A system of managing liquidity risks arranged in the Bank helps evaluate probability, causes and effects of changes in time structure of assets and liabilities, as well as take measures aimed at loss minimization and liquidity maintenance under indicated circumstances. The Bank has developed and approved the authorization system and appointed officers responsible for certain stages of risk management.

The management manages assets and liabilities by taking into account liquidity, risk of simultaneous withdrawal and daily monitoring of future cash flows. The process comprises evaluation of expected cash flows, availability of high-quality collateral, which may be used for obtaining additional funds if required. Short-term liquidity is managed by the Treasury of the Bank, which carries out operations on money market for the purpose of current liquidity maintenance and future cash flows optimization.

The Bank holds a diversified assets portfolio that can be realized for cash in case of unforeseen termination of cash inflow. The Bank also concluded credit lines agreements which may be used to meet requirements in cash funds. Besides, in accordance with the legislation, the Bank has an obligatory reserve deposit with the National Bank. The amount of the deposit depends on the level of deposits attracted from clients.

According to the requirements of the National Bank of the Republic of Belarus the Bank assesses liquidity risk using a ratio method (the assessment of the Bank's compliance with the established requirements of secured operation). As at 31 December 2022, the Bank complied with liquidity ratios (31 December 2021: the Bank complied with liquidity ratios).

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Liquidity risk (continued)**

The following tables present the analysis of liquidity and interest-rate risks which discloses term to maturity of financial liabilities, calculated for non-discounted cash flows on financial liabilities (principal and interest) at the earliest date when the Bank is liable to redeem the liability. The amounts disclosed in these tables do not reconcile to the amounts recorded in the statement of financial position as the presentation below includes maturity analysis of financial liabilities, that comprise total undiscounted remaining contractual payments (including interest payments).

<i>Financial liabilities</i>	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>31 December 2022</i>
Interest bearing financial liabilities						
Due to banks and other financial institutions	(267,298)	(65,487)	(82,630)	(277,940)	(8,487)	(701,842)
Due to customers	(1,085,373)	(166,993)	(560,350)	(221,560)	(13,303)	(2,047,579)
Debt securities issued	(318)	–	(18,020)	–	–	(18,338)
Subordinated debt	(99,300)	–	(7,716)	(101,878)	–	(208,894)
Total interest bearing financial liabilities	(1,452,289)	(232,480)	(668,716)	(601,378)	(21,790)	(2,976,653)
Non-interest bearing financial liabilities						
Due to banks and other financial institutions	(109,281)	–	(13,558)	–	–	(122,839)
Due to customers	(293,889)	(397)	(472)	(1,218)	–	(295,976)
Debt securities issued	(4,288)	–	–	–	–	(4,288)
Other financial liabilities	(35,341)	(198)	(680)	(252)	(830)	(37,301)
Financial guarantees and similar liabilities	(9,053)	–	–	–	–	(9,053)
Loan commitments and financial guarantee contracts	(458,435)	–	–	–	–	(458,435)
Total non-interest bearing financial liabilities	(910,287)	(595)	(14,710)	(1,470)	(830)	(927,892)
Total financial liabilities	(2,362,576)	(233,075)	(683,426)	(602,848)	(22,670)	(3,904,545)
Derivative financial liabilities						
Inflow	9,442	–	–	–	–	9,442
Outflow	(9,459)	–	–	–	–	(9,459)
Total net cash flows from derivatives	(17)	–	–	–	–	(17)

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Liquidity risk (continued)**

<i>Financial liabilities</i>	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>31 December 2021</i>
Interest bearing financial liabilities						
Loans from the National Bank of the Republic of Belarus	(47,873)	–	(28,272)	–	–	(76,145)
Due to banks and other financial institutions	(46,445)	(179,773)	(301,807)	(218,118)	(17,390)	(763,533)
Due to customers	(622,196)	(196,244)	(496,890)	(364,609)	(37,025)	(1,716,964)
Debt securities issued	(2,528)	(100)	(2,506)	(22,792)	–	(27,926)
Subordinated debt	(4,556)	–	(6,980)	(175,744)	–	(187,280)
Total interest bearing financial liabilities	(723,598)	(376,117)	(836,455)	(781,263)	(54,415)	(2,771,848)
Non-interest bearing financial liabilities						
Due to banks and other financial institutions	(66,692)	–	(6,668)	–	–	(73,360)
Due to customers	(323,612)	(159)	(1,307)	(477)	–	(325,555)
Debt securities issued	(5,175)	–	–	–	–	(5,175)
Other financial liabilities	(12,658)	(211)	(747)	(1,000)	(311)	(14,927)
Financial guarantees and similar liabilities	(13,029)	–	–	–	–	(13,029)
Letters of credit not covered by cash	(4,958)	–	–	–	–	(4,958)
Loan commitments	(464,419)	–	–	–	–	(464,419)
Total non-interest bearing financial liabilities	(890,543)	(370)	(8,722)	(1,477)	(311)	(901,423)
Total financial liabilities	(1,614,141)	(376,487)	(845,177)	(782,740)	(54,726)	(3,673,271)
Derivative financial liabilities						
Inflow	5,417	–	2,255	–	–	7,672
Outflow	(5,416)	–	(2,255)	–	–	(7,671)
Total net cash flows from derivatives	1	–	–	–	–	1

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Liquidity risk (continued)**

The following table presents an analysis of liquidity risk based on carrying amounts of financial assets and liabilities based on their expected maturity. The Management estimates the expected maturity of financial assets and liabilities based on historical data analysis, existence of an active market and other factors affecting the period of assets and liabilities realization/settlement.

	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>Past due</i>	<i>Without maturity</i>	<i>31 December 2022</i>
Financial assets								
Cash and cash equivalents	984,712	-	-	-	-	-	103	984,815
Securities at fair value through profit and loss	-	5,843	722	72,338	11,090	-	-	89,993
Derivative financial instruments, assets	108	-	-	-	-	-	-	108
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	339	-	-	-	29,428	29,767
Loans to customers	57,245	446,421	601,698	968,425	249,865	12,826	-	2,336,480
Investment securities	2,908	2,374	1,613	334,056	120,701	-	11,117	472,769
Other financial assets	71,797	331	319	-	-	256	2,795	75,498
Total financial assets	1,116,770	454,969	604,691	1,374,819	381,656	13,082	43,443	3,989,430
Financial liabilities								
Derivative financial instruments, liabilities	3	-	-	-	-	-	-	3
Due to banks and other financial institutions	376,553	59,990	73,322	227,825	5,359	-	-	743,049
Due to customers	896,076	161,018	544,213	202,233	11,940	-	477,639	2,293,119
Debt securities issued	4,606	-	17,474	-	-	-	-	22,080
Other financial liabilities	32,205	198	680	252	830	-	3,136	37,301
Subordinated debt	5,022	-	-	93,781	93,781	-	-	192,584
Total financial liabilities	1,314,465	221,206	635,689	524,091	111,910	-	480,775	3,288,136
Gap between assets and liabilities	(197,695)	233,763	(30,998)	850,728	269,746			
Cumulative gap between assets and liabilities	(197,695)	36,068	5,070	855,798	1,125,544			
Cumulative gap between assets and liabilities as a percentage of total financial assets	-5.0%	0.9%	0.1%	21.5%	28.2%			

(in thousands of Belarusian rubles)

37. Risk management policies (continued)**Liquidity risk (continued)**

	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>Past due</i>	<i>Without maturity</i>	<i>31 December 2021</i>
Financial assets								
Cash and cash equivalents	676,682	28,826	-	-	-	-	-	705,508
Securities at fair value through profit and loss	75,850	-	-	-	-	-	-	75,850
Derivative financial instruments, assets	22	-	-	-	-	-	-	22
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	-	-	1	-	-	-	25,840	25,841
Loans to customers	86,769	290,080	636,384	1,040,105	353,815	17,944	-	2,425,097
Investment securities	2,719	2,579	20,374	284,364	91,472	-	10,542	412,050
Other financial assets	11,813	-	-	-	-	331	8	12,152
Total financial assets	853,855	321,485	656,759	1,324,469	445,287	18,275	36,390	3,656,520
Financial liabilities								
Derivative financial instruments, liabilities	31	-	175	-	-	-	-	206
Loans from the National Bank of the Republic of Belarus	47,743	-	27,148	-	-	-	-	74,891
Due to banks and other financial institutions	112,993	175,949	291,549	191,440	14,196	-	-	786,127
Due to customers	724,223	190,032	479,728	332,575	33,605	-	217,030	1,977,193
Debt securities issued	7,704	-	2,112	22,346	-	-	-	32,162
Other financial liabilities	11,868	211	747	1,000	311	-	790	14,927
Subordinated debt	4,556	-	-	170,146	-	-	-	174,702
Total financial liabilities	909,118	366,192	801,459	717,507	48,112	-	217,820	3,060,208
Gap between assets and liabilities	(55,263)	(44,707)	(144,700)	606,962	397,175			
Cumulative gap between assets and liabilities	(55,263)	(99,970)	(244,670)	362,292	759,467			
Cumulative gap between assets and liabilities as a percentage of total financial assets	-1.5%	-2.7%	-6.7%	9.9%	20.8%			

"1 year - 5 years" category of the table above as at 31 December 2022 includes the Bank's prolonged obligations to repay subordinated loan received from Gazprom PJSC in the amount of RUB 2.48 billion (equivalent of BYN 93,781.1 thousand) with maturity on 14 January 2025 (initial maturity on 16 January 2023). As at 31 December 2022 "More than 5 years" category includes the Bank's liabilities to repay the subordinated loan raised from Gazprombank (Joint-stock Company) in the amount of RUB 2.48 billion (equivalent of BYN 93,781.1 thousand) due on 16 January 2023 due to the fact that on 26 December 2022 the Bank entered into agreement to attract a subordinated loan from Gazprombank (Joint-stock Company) on 16 January 2023 in the same amount, maturing on 16 January 2028.

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

Customer accounts – the Bank's liquidity risk management includes estimation of the minimum balance of current (settlement) accounts of customers, i.e. the amounts raised considering stable relationships with customers, which is determined using statistical methods based on historical data of fluctuations in customer accounts balances during 365 days before the reporting date, thus, such minimum balances are included in the "Without maturity" category.

Subordinated loans – as at 31 December 2022 the expected term of repayment of subordinated loan raised from Gazprombank (Joint-stock Company) in the amount of RUB 2.48 billion (equivalent of BYN 93,781.1 thousand) is estimated by the Bank as more than 5 years due to the agreement signed on 26 December 2022 to attract a subordinated loan from Gazprombank (Joint-stock Company) in the same amount on 16 January 2023 for a period until 16 January 2028.

Securities at fair value through profit and loss – the expected period of sale of the securities at fair value through profit and loss reported as at 31 December 2021 was determined by the management as less than 1 month since there is an active market where these securities may be sold within a short period of time.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)**Liquidity risk (continued)**

The following table presents the contractual periods of repayment of the mentioned financial statement lines as at 31 December 2022 and 31 December 2021:

	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>Past due</i>	<i>Without maturity</i>	<i>31 December 2022 Total</i>
Due to customers	1,373,694	161,018	544,213	202,233	11,940	-	21	2,293,119
Subordinated debt	98,803	-	-	93,781	-	-	-	192,584
Gap between assets and liabilities within contractual periods of repayment	(769,094)	233,763	(30,998)	850,728	269,746	-	-	-
Cumulative gap between assets and liabilities	(769,094)	(535,331)	(566,329)	284,399	647,926	-	-	-

	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>Past due</i>	<i>Without maturity</i>	<i>31 December 2021 Total</i>
Securities at fair value through profit and loss	-	333	672	59,284	15,561	-	-	75,850
Due to customers	940,150	190,032	479,728	332,575	33,605	-	1,103	1,977,193
Gap between assets and liabilities within contractual periods of repayment	(271,190)	(44,707)	(143,891)	606,153	397,175	-	-	-
Cumulative gap between assets and liabilities	(271,190)	(315,897)	(459,788)	146,365	543,540	-	-	-

The following table presents the information on the Bank's financial credit related liabilities:

	<i>Up to 1 month</i>	<i>1-3 months</i>	<i>3 months – 1 year</i>	<i>1 year – 5 years</i>	<i>More than 5 years</i>	<i>Past due</i>	<i>Without maturity</i>	<i>Total</i>
31 December 2022	230,636	-	-	-	-	-	227,799	458,435
31 December 2021	284,254	-	-	-	-	-	200,227	484,481

The Bank's liquidity management includes assessment of the irreducible balance of revolving credit liabilities, which is determined using statistical methods applied to historical information on the fluctuations of undrawn credit balances for 365 days preceding the reporting date, in connection with which the said irreducible balances are included in the "no maturity" category.

The Bank expects that not all contractual credit related liabilities will require settlement before maturity. The Management of the Bank believes that it will be able to sell its liquid assets to settle liabilities on due to customers in case of demand for repayment before maturity. 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 by extending credit line limit to maintain liquidity. The Bank also has access to constant liquidity management instruments of the regulator.

For the purpose of early identification and control over liquidity risk the Bank implemented liquidity risk escalation procedure and developed a plan for crisis financing.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its claims and obligations which are subject to general and specific market fluctuations.

The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits.

Market risk includes interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate, and net interest income will change because of changes in interest rates. This risk arises due to cumulative discrepancy of terms and rate types of interest bearing assets and liabilities, as well as due to high sensitivity to changes in interest rates on debt instruments acquired for the purpose of receiving revenues from their resale.

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Market risk (continued)**

Interest rate risk management is aimed at reducing the probability of deterioration of the Bank's financial condition due to changes in the level of interest rates in the market and is carried out by managing the Bank's net interest margin, the financial result of operations with financial instruments of the Bank's trading portfolio, by identifying, measuring, determining the acceptable level of risk and taking measures to maintain it at this level.

The effect of interest rate changes on Bank's comprehensive income is evaluated based on the data about the amount and term of changes in the rates of financial assets and liabilities with variable interest rates, as well as on amounts of assets carried at fair value with fixed interest rate as at reporting date. Additionally, the calculation includes the effect of reinvestment of fixed-rate instruments at new market rates as they mature. The estimation follows from the assumption that the Bank's portfolio structure does not change and is based on the reasonably possible changes in risk variables. The level of these changes is determined by the management and is reported to the key management personnel. The following table presents an interest rate sensitivity analysis on the Bank's comprehensive income at the year horizon. The analysis was based on the parallel shift of the yield curve for all assets and liabilities, the shift was estimated to be equal to 1 percentage point for all financial instruments regardless of their nominal currency. In addition, it was assumed that the change of all types of the interest rates took place at the beginning of the financial year and held constant throughout the reporting period. All other variables were held constant.

	31 December 2022		31 December 2021	
	Interest rate / discount rate 1%	Interest rate / discount rate -1%	Interest rate / discount rate 1%	Interest rate / discount rate -1%
Effect on profit before tax				
Assets				
Cash and cash equivalents	2,376	(2,376)	1,475	(1,475)
Securities at fair value through profit and loss	(1,746)	1,746	(1,944)	1,944
<i>including:</i>				
<i>effect on net interest income</i>	43	(43)	–	–
<i>effect on fair value</i>	(1,789)	1,789	(1,944)	1,944
Derivative financial instruments, assets, impact on fair value of discount rate change	–	–	(1)	1
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	–	–	–	–
Loans to customers	20,151	(20,151)	21,008	(21,008)
Investment securities	(492)	546	124	(124)
<i>including:</i>				
<i>effect on net interest income</i>	72	(72)	124	(124)
<i>effect on amortized cost</i>	(564)	618	–	–
Liabilities				
Derivative financial instruments, liabilities, impact on fair value of discount rate change	–	–	7	(7)
Loans from the National Bank of the Republic of Belarus	–	–	(605)	605
Due to banks and other financial institutions	(5,022)	5,022	(3,888)	3,888
Due to customers	(10,247)	10,247	(9,775)	9,775
Debt securities issued	(110)	110	(82)	82
Effect on profit before tax	4,910	(4,856)	6,320	(6,320)
Effect on other comprehensive income				
Investment securities, impact on fair value of discount rate change	(14,703)	15,505	(15,203)	15,940
Effect on comprehensive income after tax	(14,703)	15,505	(15,203)	15,940

(in thousands of Belarusian rubles)

37. Risk management policies (continued)**Market risk (continued)****Currency risk**

Currency risk is defined as the risk of the fluctuation of the value of a financial instrument due to changes in foreign exchange rates and precious metals in the form of bank bullions, revalued weighted bullions, revalued coins. The Bank's financial position and cash flows are exposed to fluctuations of foreign currency exchange rates or precious metal in the form of bank bullions, revalued weighted bullions, revalued coins.

The Assets and Liabilities Management Committee manages currency risk by limiting the open currency position on the basis of the estimated devaluation of the national currency and other macroeconomic indicators. The Treasury Department performs daily control over the open currency position of the Bank to ensure its compliance with the limits.

The Bank's exposure to currency risk is as follows:

	BYN	USD 1 USD = BYN 2.7364	EUR 1 EUR = BYN 2.9156	RUB 1 RUB = BYN 0.037835	Other currencies	31 December 2022 Total
Financial assets						
Cash and cash equivalents	474,043	333,745	129,432	39,622	7,973	984,815
Securities at fair value through profit and loss	-	89,993	-	-	-	89,993
Derivative financial instruments, assets	108	-	-	-	-	108
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	24,264	5,503	-	-	-	29,767
Loans to customers	1,275,287	296,148	348,078	416,967	-	2,336,480
Investment securities	26,444	251,448	156,427	38,450	-	472,769
Other financial assets	13,586	61,409	86	95	322	75,498
Total financial assets	1,813,732	1,038,246	634,023	495,134	8,295	3,989,430
Financial liabilities						
Derivative financial instruments, liabilities	3	-	-	-	-	3
Due to banks and other financial institutions	343,470	83,598	139,521	176,441	19	743,049
Due to customers	683,459	963,599	450,440	185,422	10,199	2,293,119
Debt securities issued	-	14,154	7,926	-	-	22,080
Other financial liabilities	6,951	2,228	25,509	662	1,951	37,301
Subordinated debt	-	-	-	192,584	-	192,584
Total financial liabilities	1,033,883	1,063,579	623,396	555,109	12,169	3,288,136
Currency position	779,849	(25,333)	10,627	(59,975)	(3,874)	

(in thousands of Belarusian rubles)

37. Risk management policies (continued)**Market risk (continued)**

	<i>BYN</i>	<i>USD USD 1 = BYN 2.5481</i>	<i>EUR EUR 1 = BYN 2.8826</i>	<i>RUB RUB 1 = BYN 0.034322</i>	<i>Other currencies</i>	<i>31 December 2021 Total</i>
Financial assets						
Cash and cash equivalents	328,412	210,108	87,127	75,757	4,104	705,508
Securities at fair value through profit and loss	-	75,850	-	-	-	75,850
Derivative financial instruments, assets	22	-	-	-	-	22
Due from the National Bank of the Republic of Belarus, banks and other financial institutions	20,790	5,051	-	-	-	25,841
Loans to customers	1,102,360	453,924	657,479	211,334	-	2,425,097
Investment securities	18,573	241,935	151,542	-	-	412,050
Other financial assets	10,034	725	1,060	332	1	12,152
Total financial assets	1,480,191	987,593	897,208	287,423	4,105	3,656,520
Financial liabilities						
Derivative financial instruments, liabilities	206	-	-	-	-	206
Loans from the National Bank of the Republic of Belarus	74,891	-	-	-	-	74,891
Due to banks and other financial institutions	98,155	89,647	552,551	45,774	-	786,127
Due to customers	640,530	923,504	318,043	88,427	6,689	1,977,193
Debt securities issued	7,707	13,676	10,779	-	-	32,162
Other financial liabilities	6,867	3,433	2,767	1,858	2	14,927
Subordinated debt	-	-	-	174,702	-	174,702
Total financial liabilities	828,356	1,030,260	884,140	310,761	6,691	3,060,208
Currency position	651,835	(42,667)	13,068	(23,338)	(2,586)	

Derivative financial instruments and spot contracts with foreign currency

Fair value of derivative financial instruments with foreign currency is included in the presented currency analysis. The following table presents further analysis of currency risk on derivative financial instruments and spot contracts with foreign currency.

	<i>BYN</i>	<i>USD 1 USD = BYN 2.7364</i>	<i>EUR 1 EUR = BYN 2.9156</i>	<i>RUB 1 RUB = BYN 0.037835</i>	<i>Other currencies</i>	<i>31 December 2022 Total</i>
Claims on derivative financial instruments and spot contracts	9,442	5,473	-	-	3,089	18,004
Liabilities on derivative financial instruments and spot contracts	3,096	-	-	14,828	-	17,924
Net position for derivative financial instruments and spot contracts	6,364	5,473	-	(14,828)	3,089	80
Total currency position	786,195	(19,860)	10,627	(74,803)	(785)	701,374

	<i>BYN</i>	<i>USD USD 1 = BYN 2.5481</i>	<i>EUR EUR 1 = BYN 2.8826</i>	<i>RUB RUB 1 = BYN 0.034322</i>	<i>Other currencies</i>	<i>31 December 2021 Total</i>
Claims on derivative financial instruments and spot contracts	-	-	-	2,576	3,198	5,774
Liabilities on derivative financial instruments and spot contracts	-	5,746	-	-	-	5,746
Net position for derivative financial instruments and spot contracts	-	(5,746)	-	2,576	3,198	28
Total currency position	651,835	(48,413)	13,068	(20,762)	612	596,340

*(in thousands of Belarusian rubles)***37. Risk management policies (continued)****Market risk (continued)***Currency risk sensitivity*

The degree of influence of changes in the main foreign currencies exchange rates on the Bank's financial result is used by the Bank when preparing reports on currency risk for key management personnel considering changes in risk variables.

The following tables detail the sensitivity to a decrease and an increase of USD, EUR and RUB against the national currency as at 31 December 2022 and 31 December 2021. The mentioned currency exchange rates changes represent the management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency amounts as at the period end that were converted as at the period end using the rates adjusted for the expected amount as compared to the effective rates.

	<i>As at 31 December 2022</i>		<i>As at 31 December 2021</i>	
	<i>BYN/USD</i>	<i>BYN/USD</i>	<i>BYN/USD</i>	<i>BYN/USD</i>
	<i>10.0%</i>	<i>-1.0%</i>	<i>10.0%</i>	<i>-1.0%</i>
Effect on profit before tax	(1,986)	199	(4,841)	484
Effect on comprehensive income after tax	(1,490)	149	(3,631)	363

	<i>As at 31 December 2022</i>		<i>As at 31 December 2021</i>	
	<i>BYN/EUR</i>	<i>BYN/EUR</i>	<i>BYN/EUR</i>	<i>BYN/EUR</i>
	<i>10.0%</i>	<i>-1.0%</i>	<i>10.0%</i>	<i>-1.0%</i>
Effect on profit before tax	1,063	(106)	1,307	(131)
Effect on comprehensive income after tax	797	(80)	980	(98)

	<i>As at 31 December 2022</i>		<i>As at 31 December 2021</i>	
	<i>BYN/RUB</i>	<i>BYN/RUB</i>	<i>BYN/RUB</i>	<i>BYN/RUB</i>
	<i>10.0%</i>	<i>-1.0%</i>	<i>10.0%</i>	<i>-1.0%</i>
Effect on profit before tax	(7,480)	748	(2,076)	208
Effect on comprehensive income after tax	(5,610)	561	(1,557)	156

Limitations of sensitivity analysis

The above interest-rate risk and currency risk sensitivity analysis demonstrates the effect of a change in a key assumption mentioned above, while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and the obtained results should not be interpolated or extrapolated.

The sensitivity analysis does not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary depending on changes in the market. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In case of sharp negative price fluctuations in the securities market, management actions could include selling investments, changing investment portfolio composition and taking other protective actions. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets held at market value on the statement of financial position may be affected significantly. In these circumstances, different measurement bases for liabilities and assets may lead to significant volatility in equity.

Other limitations in the above sensitivity analysis include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty. The assumption that all interest rates change similarly also constitutes a limitation.

Operational risk

The Bank is subject to operational risk at all stages of its activity. Operational risk is the risk of loss and (or) additional expenses arising from non-compliance of procedures specified by the Bank's internal regulations for banking operations and other transactions with legislation or breach thereof by employees, incompetence or human error, software and systems failure or external events.

(in thousands of Belarusian rubles)

37. Risk management policies (continued)

Operational risk (continued)

The Bank has an automated system "Operational Risk Management" which ensures automation of the operational risk management process. The register of operational incidents reflects information about the causes and amounts of operational losses in the context of the Bank's activities, individual banking operations (processes), the circumstances of their occurrence and their identification.

As part of the application of proactive methods of operational risk management, the Bank has developed scenarios and implemented procedures for operational risk escalation.

In order to analyze the state of operational risk and make effective and timely management decisions, the Bank assesses operational risk.

For inclusion in the calculation of regulatory capital adequacy, the quantitative assessment of operational risk is performed using the basic indicative approach, approved for use by the National Bank of the Republic of Belarus.

To calculate the quantitative assessment of operational risk within the framework of capital adequacy assessment internal procedure, the method of arithmetic average assessment of annual losses from operational risk realization for the previous 72 months (6 years) is used, bringing losses to a comparable form on the reporting date with the application of the consumer price index.

On a quarterly basis, the Bank submits to the National Bank of the Republic of Belarus information on operational incidents on which losses exceed the threshold value set by the National Bank of the Republic of Belarus.

Special attention is paid to ensuring business continuity and contingency planning of the Bank's operations. In order to improve reliability and ensure business continuity of the Bank's business processes, the Bank has developed a Contingency Plan of Belgazprombank OJSC.

The Bank performs regular stress tests of operational risk to assess the resistance to realization of rare but plausible catastrophic events. The risk assessment and stress test results are submitted to the management bodies for managerial decision-making.

38. Events after the reporting date

The Bank recognizes the following events after the reporting date:

- On 16 January 2023 the Bank attracted a subordinated loan from Gazprombank (Joint-stock Company) for 5 years;
- In January and February 2023, the National Bank of the Republic of Belarus made two coherent decisions to reduce the refinancing rate by 0.5 percentage points to 11.5% from 23 January 2023 and to 11% from 1 March 2023.