Joint Stock Bank of Growth and Business Development

Annual financial statements prepared in accordance with the International Financial Reporting Standards and the Independent Auditor's Report
for the year ended 31 December 2021

CONTENTS

Grant Thornton

25.04.2022 № 139/22-1

Ref No __________ dated _________

To Mr. V.N. Pobol,
Acting Chairman of the Management Board of
Joint Stock Bank of Growth and Business Development

To the Shareholders and Supervisory Board of
Joint Stock Bank of Growth and Business Development

Grant Thornton LLC
103 Pobeditelei Av.
Office 507, 220020, Minsk, Republic of Belarus
UNP 100024856,
OKPO 37384691
Account: BY89 ALFA 30122723880010270000
at Alfabank CJSC,
Code ALFABY2X
Bank Address:
43-47 Surganova str., Minsk,

T +375 17 308 70 81 (82)
e-mail: info@by.gt.com
www.grantthornton.by

AUDITOR'S OPINION ON THE ANNUAL INDIVIDUAL FINANCIAL STATEMENTS

Auditor's Opinion

We have audited the annual individual financial statements (hereinafter – financial statements) of Bank of Growth and Business Development Closed Joint-Stock Company (hereinafter - GBD-Bank CJSC), which comprise the statement of financial position as at 31 December 2021, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of GBD-Bank CJSC as at 31 December 2021, its financial performance and changes in its financial position, and its cash flows for 2021 in accordance with International Financial Reporting Standards (IFRS).

Basis for Auditor's Opinion

We have carried out the audit in accordance with the requirements of the Law of the Republic of Belarus "On Auditing" dated 12 July 2013 No. 56-3, the National Rules of Auditing in force in the Republic of Belarus, and International Auditing Standards (hereinafter referred to as the "ISA"). Our responsibilities in accordance with these rules and standards are described further in the section "Auditor's Responsibilities for the Audit of the Financial Statements" of our report. We are independent of GBD-Bank CJSC in accordance with the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (including International Standards of Independence) (hereinafter referred to as the "IESBA Code") and the ethical requirements applicable to our audit of financial statements in the Republic of Belarus, and we have fulfilled other ethical responsibilities in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 35 "Subsequent Events" to the financial statements. Events that indicate the economic and other conditions arisen in which GBD-Bank CJSC carries out its activities, include unpredictable significant change in exchange rates after the reporting date, the functioning of the economy under economic sanctions, including the Russian Federation, the main trading partner of Belarus. The recovery of assets of GBD-Bank CJSC, as well as the financial position of GBD-Bank CJSC debtors, and accordingly, their ability to repay their debts to GBD-Bank CJSC in a timely manner and in full, largely depend on the prospects for further development of the economic policy pursued by the Government of the Republic of Belarus.

Such economic conditions are considered as non-correcting events after the reporting period. We do not express a modified audit opinion in connection with these matters.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each of the matters below, a description of how the relevant matter was addressed during our audit is provided in this context.

We have fulfilled the responsibilities described in Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included performing procedures designed in response to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including those performed in the course of our consideration of the matters set out below, form the basis for our audit opinion on the accompanying financial statements.

Loan loss provision to customers, as well as for credit-related commitments

Due to the significance of the loan loss provision to customers and credit-related commitments for the Bank's financial position, as well as the complexity and necessity to make judgments about the assessment of expected credit losses in accordance with IFRS 9 Financial Instruments (hereinafter referred to as IFRS 9), this matter is one of the key audit matters.

To determine a significant increase in credit risk from the date of initial recognition, both on an individual and portfolio basis, and to calculate expected credit losses ("ECL"), judgment shall be applied. The assessment of the increase in credit risk is based on the relative change in credit ratings, the duration of overdue debt, and other objective and subjective factors. The selection of thresholds at which an increase in credit risk is considered significant, such as the dimension of a credit rating deterioration, is also subjective.

Our audit procedures included the assessment of the methodology for calculating expected credit losses developed by GBD-Bank CJSC in accordance with IFRS 9 for the assessment of loan loss provisions to customers, as well as credit-related commitments.

The calculation of the ECL includes estimation techniques that use complex statistical modelling and expert judgment. These methods are used to determine the probability of default, the amount of credit requirement exposed to the risk of default and the level of losses in default based on available historical data and external information, adjusted for forecasts, including forecast macroeconomic variables.

Information on the provision for expected credit losses in respect of loans to customers and credit-related commitments is provided in Note 11 *Loans to Customers* and Note 31 *Risk Management* to the financial statements.

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

We have also reviewed the disclosures in the financial statements of GBD-Bank CJSC regarding the provision for expected credit losses on loans, as well as for credit-related commitments.

Responsibilities of the Audited Entity for Preparation of the Financial Statements

The Management of the audited entity is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS and for such internal control of the audited entity as the Management determines necessary to enable the preparation of the financial statements that are free from material misstatements whether due to fraud or errors.

In preparing the financial statements, the Management of the audited entity is responsible for assessing the ability of the audited entity to continue as a going concern, appropriateness of application of going concern principle, disclosing, as applicable, matters related to going concern, unless the Management either intends to liquidate the audited entity or to cease operations or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our goal is to obtain reasonable assurance that the financial statements of the audited entity are free from material misstatements, whether due to fraud and (or) errors, and to issue auditor's report including our opinion expressed in the prescribed form. Reasonable assurance is a high level of assurance but is not a guarantee that the audit conducted under the National Rules of Auditing and ISA always discloses the material misstatements if any present. Misstatements may result from fraud and (or) errors and are considered significant if it can reasonably be assumed that either individually or collectively, they may affect the economic decisions of users made on the basis of the present financial statements.

Within the framework of the audit conducted in accordance with the National Rules of Auditing and ISA, we apply professional judgment and maintain professional scepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud and (or) errors; 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 one resulting from error, as fraud generally implies availability of specially designed measures aimed at their concealment;
- obtain understanding of the internal control system of the audited entity that is essential to the audit in order to develop audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control system;
- evaluate the appropriateness of accounting policies used by the audited entity and the reasonableness of accounting estimates and related disclosures made in statements;
- conclude on the appropriateness of Management's use of the going concern assumption and, based on the audit evidence obtained, make conclusion whether a material uncertainty exists related to events or conditions that may cast significant doubt on the audited entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if there are no such disclosures or they are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of signing of our

auditor's report. However, future events or conditions may cause the audited entity to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the statements, including the disclosures, and whether the statements represent the underlying transaction 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 complied with all relevant requirements for compliance with independence principle and these individuals were informed about all relationships and other issues that can reasonably be considered as affecting the independence of the auditor, and, if necessary, with appropriate precautions.

From among the issues communicated to those charged with governance, we select key audit matters and disclose them in the auditor's report (unless disclosure of these issues is prohibited by the legislation or when we reasonably conclude that the negative consequences of reporting such information will exceed the benefits of disclosure).

Dmitry Bekeshko
Engagement Manager

Svetlana Mahankova
Head of the audit group

«Грант Торнтон»

Requisite details of the audited entity
Name: Joint Stock Bank of Growth and Business Development (abbreviated bank name GBD-Bank CJSC);
Registered address: 18 Krasnozvezdnaya str., Minsk, 220034, Republic of Belarus;
Information on state registration: Bank of Growth and Business Development Closed Joint-Stock Company was registered by the National Bank of the Republic of Belarus on 22 February 1994, registration number 37
UNP: 100361187.

Auditor's entity:
Name: Grant Thornton Limited Liability Company (abbreviated name – Grant Thornton LLC);
Registered address: 103 Pobediteley avenue, office 507, Minsk, 220020, Republic of Belarus;
Information on state registration: Registered by the decision of Minsk City Executive Committee as of 12 July 2013
UNP: 100024856

Minsk, Belarus
25 April 2022

***1 (one) copy of the auditor's opinion on the financial statements was received on**

25 April **2022.**

	N.N. Mostyko	Chief Accountant
Signature	*Full name*	*Position*

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

The Management of Joint Stock Bank of Growth and Business Development (hereinafter - the "Bank") is responsible for the preparation of financial statements that fairly present in all material respects the financial position of the Bank as at 31 December 2021, as well as its performance, cash flows and changes in equity for the year then ended in accordance with International Financial Reporting Standards (hereinafter - "IFRSs").

In the preparation of the financial statements, the Management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with IFRSs is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the Bank's financial position and financial performance;
- Making an assessment of the Bank's ability to continue as a going concern.

The Management is also responsible for:

- Designing, implementing and maintaining an effective and reliable system of internal control throughout the Bank;
- Maintaining accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank, and to ensure that the financial statements of the Bank comply with IFRSs;
- Maintaining statutory accounting records in compliance with legislation and accounting rules of the Republic of Belarus;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank;
- Preventing and detecting fraud and other irregularities.

The financial statements for the year ended 31 December 2021 are authorized for issue on 25 April 2022 and are signed on behalf of the Management of the Bank.

On behalf of the Management of the Bank:

V.N. Pobol
Acting Chairman of the Management Board,
the Deputy Chairman of the Management Board

N.N. Mostyko
Chief Accountant

Minsk
25 April 2022

STATEMENT OF FINANCIAL POSITION

In thousands of Belarusian rubles

	Notes	31 December 2021	31 December 2020
Assets			
Cash and cash equivalents	7	109,340	87,903
Mandatory cash balances in the National Bank of the Republic of Belarus		4,024	3,616
Due from other banks	9	1,063	675
Securities measured at fair value through profit and loss	10	37,602	39,338
Loans to customers	11	249,667	272,704
Property and equipment, intangible assets and right-of use-assets	12	19,863	19,518
Assets held for sale	13	140	-
Current income tax requirement		333	414
Other assets	14	5,546	3,598
Total assets		**427,578**	**427,766**
Liabilities			
Due to other banks	15	1,534	15,957
Due to customers	16	353,240	319,137
Debt securities issued	17	3,578	13,610
Other liabilities	18	3,682	3,362
Deferred tax liability	28	-	1,903
Subordinated loans	19	20,665	20,876
Preference shares	20	1,796	1,551
Total liabilities		**384,495**	**376,396**
Equity			
Share capital	21	46,974	46,974
Accumulated profit / (loss)		(3,891)	4,396
Total equity		**43,083**	**51,370**
Total liabilities and equity		**427,578**	**427,766**

On behalf of the Management of the Bank:

V.N. Pobol
Acting Chairman of the Management Board,
the Deputy Chairman of the Management Board

N.N. Mostyko
Chief Accountant

Minsk
25 April 2022

Notes on pages 13-77 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

In thousands of Belarusian rubles

	Notes	2021	2020
Interest income	22	33,647	26,877
Interest expenses	22	(26,269)	(17,788)
Net interest income		**7,378**	**9,089**
Fee and commission income	23	6,959	6,115
Fee and commission expenses	23	(2,563)	(1,701)
Net fee and commission income		**4,396**	**4,414**
Net income from transactions with derivative financial instruments	24	25	312
Net income from foreign exchange operations	25	8,873	6,864
Net income from transactions with securities	25	(274)	(226)
Other income	26	8,697	1,384
Total operating income		**29,095**	**21,837**
Operating expenses	27	(21,435)	(16,828)
Net devaluation / (revaluation) of assets received as debt repayment		(388)	25
Net charge of allowance for the impairment of interest-bearing financial assets	9, 11	(17,207)	(1,857)
Net recovery of allowances for impairment of other financial assets	14	20	197
Net charge of allowances for credit related commitments	29	(275)	(61)
(Loss) / profit before income tax expenses		**(10,190)**	**3,313**
Income tax benefits / (expenses)	28	1,903	(815)
Net (loss) / profit for the year		**(8,287)**	**2,498**
Other comprehensive income			
Total other comprehensive income		-	-
Total comprehensive (loss) / income for the year		**(8,287)**	**2,498**

On behalf of the Management of the Bank:

V.N. Pobol
Acting Chairman of the
Management Board,
the Deputy Chairman of the
Management Board

N.N. Mostyko
Chief Accountant

Minsk
25 April 2022

Notes on pages 13-77 form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

In thousands of Belarusian rubles

	Notes	Share capital	Property and equipment revaluation reserve	Accumulated loss	Total equity
Balance as at 31 December 2019		**46,974**	**1**	**1,898**	**48,873**
Net profit for the year		-	-	2,498	2,498
Revaluation of property, plant and equipment		-	(1)	-	(1)
Comprehensive income for the year		**-**	**(1)**	**2,498**	**2,497**
Balance as at 31 December 2020		**46,974**	**-**	**4,396**	**51,370**
Net loss for the year		-	-	(8,287)	(8,287)
Comprehensive loss for the year		**-**	**-**	**(8,287)**	**(8,287)**
Balance as at 31 December 2021		**46,974**	**-**	**(3,891)**	**43,083**

On behalf of the Management of the Bank:

V.N. Pobol
Acting Chairman of the Management Board,
the Deputy Chairman of the Management Board

N.N. Mostyko
Chief Accountant

Minsk
25 April 2022

Notes on pages 13-77 form an integral part of these financial statements.

In thousands of Belarusian rubles

	Notes	2021	2020
Cash flows from / (used in) operating activities			
Interest received		37,218	26,234
Interest paid		(26,144)	(19,684)
Fee and commissions received		6,934	6,287
Fee and commissions paid		(2,563)	(1,701)
Income from transactions with financial instruments measured at fair value through profit and loss	24	25	312
Income from foreign currency transactions	25	11,493	2,394
Expenses paid on securities		(274)	(226)
Received / (paid) other income / (expenses)		7,586	(823)
Operating expenses paid		(20,635)	(16,138)
Received / (paid) income tax		80	(590)
Cash flows from operating activities received before changes in operating assets and liabilities		**13,720**	**(3,935)**
Net (increase)/decrease in operating assets			
Mandatory cash balances in the National Bank of the Republic of Belarus		(408)	(518)
Due from other banks		(424)	(8)
Loans to customers		(6,594)	(43,904)
Securities measured at fair value through profit or loss		305	(23,833)
Derivative financial assets		-	217
Securities measured at amortized cost		-	26
Other assets		(1,232)	4,171
Net increase/(decrease) in operating liabilities:			
Due to other banks		(14,140)	14,650
Due to customers		41,877	69,169
Other liabilities		1,008	646
Net (outflow) / inflow from operating activities		**34,112**	**16,681**
Cash flows from / (used in) investment activities			
Acquisition of property and equipment and intangible assets		(1,212)	(3,058)
Revenue from sale of property and equipment		9	3
Revenue from sales of securities		-	7,946
Net cash outflow from investment activities		**(1,203)**	**4,891**
Cash flows from / (used in) financial activities			
Subordinated loans repayment		(4)	(3)
Placement of debt securities issued		18,566	58,825
Repayment of debt securities issued		(28,335)	(74,286)
Lease liabilities payments		(1,047)	-
Net (outflow) used in financial activities		**(10,820)**	**(15,464)**

STATEMENT OF CASH FLOWS (DIRECT METHOD)

In thousands of Belarusian rubles

	Notes	2021	2020
Effect of changes in foreign exchange rates on cash and cash equivalents		(38)	289
Effect of changes in expected credit losses on cash and cash equivalents		(615)	(293)
Net increase / (decrease) in cash and cash equivalents		**21,437**	**6,104**
Cash and cash equivalents at the beginning of the year	7	**87,903**	**81,799**
Cash and cash equivalents at the end of the year	7	**109,340**	**87,903**

On behalf of the Management of the Bank:

V.N. Pobol
Acting Chairman of the Management Board,
the Deputy Chairman of the Management Board

N.N. Mostyko
Chief Accountant

Minsk
25 April 2022

Notes on pages 13-77 form an integral part of these financial statements.

1. General information

Joint Stock Bank of Growth and Business Development (hereinafter — the "Bank") was registered on 22 February 1994 in the form of a Joint Stock Bank of Reconversion and Development in accordance with the legislation of the Republic of Belarus. The Bank operates on the basis of the license for banking activity No. 21 issued by the National Bank of the Republic of Belarus on 22 June 2020. The Bank also has a special permit (license) for securities and stock exchange operations No. 02200/5200-1246-1126 dated 29 June 2012, issued by the Ministry of Finance of the Republic of Belarus. Since 22 June 2020 Joint Stock Bank of Reconversion and Development was renamed in Joint Stock Bank of Growth and Business Development.

The Bank was established for commercial and retail banking operations on the territory of the Republic of Belarus. The main activities of the Bank are provision of loans to individuals and legal entities, including individual entrepreneurs; raise of resources to deposits from non-banking and banking organizations, legal entities and individuals; management of customer accounts, cash and settlement operations; securities and foreign exchange transactions.

The Bank has a certificate of registration in the state institution Agency of Guaranteed Compensation of Individual Bank Deposits, which guarantees 100% payment of deposits of individuals in case of cancellation of the banking license.

The Bank's legal address is 18 Krasnozvezdnaya Str. Minsk, 220034, Republic of Belarus.

The average annual number of staff of the Bank in 2021 amounted to 447 persons (2020: 363 persons).

The structure of shareholders of the Bank as of 31 December 2021 and 2020 is presented below:

	31 December 2021 % from the total number of ordinary shares	**31 December 2020 % from the total number of ordinary shares**
Dikris LLC	84.50	84.50
Tsybulin V.A.	7.53	7.53
Speedster-M LLC	7.25	7.25
Other	0.72	0.72
Total	**100.00**	**100.00**

Detailed information on the Bank share capital is provided in Note 21.

Valentin A. Tsybulin, resident of the Republic of Belarus, is the controlling party of the Bank as at 31 December 2021 and 2020.

2. Basis of preparation of the financial statements

Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("1FRSs").

General principles of financial reporting

These financial statements have been prepared upon the assumption, that the Bank will continue as a going concern. The Management believes that the going concern assumption is appropriate for the Bank due to its sufficient capital adequacy ratio and based on historical experience that short-term liabilities will be refinanced in the normal course of business.

The Bank maintains its accounting in accordance with the requirements of the current legislation of the Republic of Belarus. Financial statements are prepared on the basis of these accounts, with adjustments necessary to align them with IFRSs.

The functional currency and presentation currency of the Bank is the national currency of the Republic of Belarus — the Belarusian ruble.

These financial statements are presented in thousands of Belarusian rubles, unless otherwise specified.

In 2011-2014, the economy of the Republic of Belarus was recognized as hyperinflationary due to the fulfilment of the criteria specified in IAS 29 "Financial Reporting in Hyperinflationary Economies". In accordance with the requirements of the standard, the financial statements of entities which functional currency is the currency of a country with a hyperinflationary economy were presented in prices reflecting the buying capacity at the end of the reporting period. As at 1 January 2015 the economy of the Republic of Belarus ceased to be considered hyperinflationary, the value of non-monetary assets, liabilities and capital of the Bank, presented in the prices in effect as of 31 December 2014 was used as opening balances as at 1 January 2015.

3. Adoption of new and revised standards and interpretations

Application of standards and interpretations that entered into force in 2021

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

The amendments to these standards, issued in August 2020, address accounting issues related to the replacement of the interbank offer rate ("IBOR") with the risk-free interest rate ("RFR"). The second stage of the interest rate benchmark reform includes several simplifications of practical application and additional disclosure requirements. The simplifications will be applied when accounting the changes in the interest rate on financial instruments from the interbank offer rate to the risk-free interest rate. Changes to the definition of contractual cash flows as a result of the interest rate reform should be considered as changes in the floating interest rate. For a financial instrument, the change in the criterion from the interbank offer rate to the risk-free interest rate should be carried out on an economically equivalent basis. These amendments did not have a material impact on the Bank's financial statements.

Covid-19-Related Rent Concessions beyond 30 June 2021. Amendments to IFRS 16

On 28 May 2020 IASB issued amendment to IFRS 16 Lease - Covid-19-Related Rent Concessions. This amendment envisages an exemption for lessees from applying the requirements of IFRS 16 in terms of accounting of modifications of lease agreements in the case of lease concessions that arise as a direct consequence of the COVID-19 pandemic. As a practical simplification, the lessee may decide not to analyse whether the lease concession provided by the lessor in connection with the COVID-19 pandemic is a modification of the lease agreement. The lessee who makes such a decision must take into account any change in lease payments due to a lease concession related to the COVID-19 pandemic, in the same way as this amendment would be recognized in accounting under IFRS 16 if it were not a modification of the lease agreement.

It was expected that this amendment would be applied until 30 June 2021, but due to the continuing impact of the COVID-19 pandemic on 31 March 2021, the IASB decided to extend the term of application of this practical simplification until 30 June 2022.
The new amendment applies to annual reporting periods beginning on or after 1 April 2021. This amendment did not have material impact on the Bank's financial statements, as the Bank was not granted any lease concessions related to the COVID-19 pandemic.

New standards, interpretations and amendments issued but not yet effective:

IFRS 17 "Insurance Contracts"

In May 2017, the IASB issued IFRS 17 "Insurance Contracts", a new comprehensive financial reporting standard related to insurance contracts, which addresses the issues of recognition, measurement, information presentation and disclosures. It will replace IFRS 4 "Insurance Contracts". IFRS 17 applies to all insurance contracts regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation conditions. There are several scope exceptions. The main objective of IFRS 17 is to provide a recognition model for insurance contracts, which is more effective and consistent for insurers. Unlike requirements of IFRS 4, which are based mostly on previous local accounting policies, IFRS 17 provides a comprehensive recognition model for insurance contracts covering all the relevant accounting considerations.
IFRS 17 is effective for reporting periods beginning on or after 1 January 2023. In addition, comparative information shall be provided. Earlier application is permitted on condition that the entity also applies IFRS 9 and IFRS 15. The Bank does not expect that IFRS 17 will have a significant effect on the financial statements.

Amendment to IFRS 9 "Financial instruments" - Fees and cost included in the 10 per cent test for derecognition of financial liabilities

The fees and cost included in the 10 per cent test for derecognition of financial liabilities clarifies the definition of fees that an entity takes into account when assessing whether the terms of a new or modified financial liability differ materially from those of the original financial liability. The fees considered in this amendment include only payments between the debtor and the creditor, including amounts received or paid by the creditor or the debtor on behalf of third parties. The amendment is required for financial liabilities that will be modified or exchanged for other financial liabilities in annual periods beginning on the date the entity first applies the amendment.
The amendment is mandatory for annual periods beginning on or after 1 January 2022. The Bank plans to apply the amendment to financial liabilities that will be modified or exchanged for others in the annual reporting periods beginning from the date of mandatory application of the amendment and does not expect a material impact of the amendment on its financial statements.

Amendments to IAS 1 Classification of liabilities as short-term and long-term

In January 2020, the IASB issued amendments to paragraphs 69-76 of IAS 1, where the requirements for classifying liabilities as short-term or long-term are clarified. The amendments clarify what is meant by the right to defer settlement of obligations; the right to defer settlement of obligations must exist at the end of the reporting period; the classification of obligations is not affected by the likelihood that the entity will execute its right to defer settlement of obligations; the terms of the obligation will not affect its classification only if the derivative embedded in the convertible obligation is itself an equity instrument.
These amendments enter into force for annual reporting periods beginning on or after 1 January 2023 and are applied retrospectively. The Bank analyses the possible impact of these amendments on the financial statements.

Amendments to IFRS 3 Business combinations – Reference to Conceptual Framework
The purpose of these amendments, issued by the IASB in May 2020, is to replace references to the "Concept of preparation and presentation of financial statements", issued in 1989, with references to the "Conceptual framework for the presentation of financial statements", issued in March 2018, without making significant changes to the requirements of the standard. The Board also added an exception to the recognition principle in IFRS 3, in order to avoid the occurrence of potential "2nd day" gains or losses, for liabilities and contingent liabilities that would fall within the scope of IAS 37 or IFRIC 21 Levies if they occurred within the framework of separate operations. At the same time, the Board decided to clarify the existing requirements of IFRS 3 with respect to contingent assets, on which the replacement of references to the "Framework for the Preparation and Presentation of Financial Statements" will not have an impact.
These amendments are effective for annual reporting periods beginning on or after 1 January 2022 and are applied prospectively. These amendments are not expected to have a material impact on the Bank's financial statements.

Amendments to IAS 16 Property, Plant and Equipment: Proceeds before Intended Use
The document issued in May 2020 by the IASB prohibits entities from deducting any proceeds from the sale of products manufactured during the delivery of this item to the location and bringing it into condition that are required for its operation in accordance with the intentions of Management from the initial cost of an item of property, plant and equipment. Instead, the entity recognizes the proceeds from the sale of such products, as well as the cost of manufacturing of these products in profit or loss.
These amendments are effective for annual reporting periods beginning on or after 1 January 2022 and should be applied retrospectively to those items of property, plant and equipment that became available for use on or after the start date of the earliest period presented in the financial statements in which the entity first applies these amendments. These amendments are not expected to have a material impact on the Bank's financial statements.

Amendments to IAS 37 "Onerous Contracts — Cost of Fulfilling a Contract"
In May 2020, the IASB issued amendments to IAS 37, which clarify what costs an entity should consider when assessing whether a contract is onerous or unprofitable. The amendments envisage the application of an approach based on "costs directly related to the contract", which include both additional costs for the execution of this contract and distributed costs directly related to the execution of the contract. General and administrative costs are not directly related to the contract and, therefore, are excluded, except in cases where they are explicitly reimbursed by the counterparty under the contract.
These amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Bank will apply these amendments to contracts for which it has not yet fulfilled all its obligations as of the beginning date of the annual reporting period in which it first applies these amendments.

Amendments to IAS 8 Definition of Accounting Estimates
In February 2021, the IASB issued amendments to IAS 8 introducing the definition of "accounting estimates". The amendments explain the difference between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, the document explains how entities use measurement methods and inputs to develop accounting estimates.
The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start date of the specified period. Early application is permitted. These amendments are not expected to have a material impact on the Bank's financial statements.

Amendments to IAS 1 IFRS Practice Statement 2 Disclosure of Accounting Policies
The amendments issued in February 2021 by the IASB provide guidance and examples to help entities apply materiality judgments when disclosing accounting policies. The amendments should help entities disclose more useful information about accounting policies by replacing the requirement for entities to disclose "significant provisions" of accounting policies with the requirement to disclose "material

information" about accounting policies, as well as by adding guidance on how entities should apply the concept of materiality when making decisions on disclosure of accounting policies.
Amendments to IAS 1 are applied for annual periods beginning on or after 1 January 2023 with the possibility of early application. Since the amendments to IFRS Practice Statement 2 contain optional guidance on the application of the definition of materiality to accounting policy information, there is no mandatory effective date for these amendments. These amendments are not expected to have a material impact on the Bank's financial statements.

4. Significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include cash, balance on accounts in the National Bank of the Republic of Belarus and other credit organizations with original maturity within 90 days which may be freely converted to cash without significant loss in value. Assets with longer maturities at the acquisition date do not become cash equivalents after the remaining period of time to maturity is reduced to 90 days. Amounts for which there are any restrictions on their use are excluded from cash and cash equivalents.

Mandatory allowances on accounts in the National Bank of the Republic of Belarus

Mandatory allowances on accounts in the National Bank of the Republic of Belarus (hereinafter — the "National Bank") are funds deposited in the National Bank and not intended for financing of current operations. Mandatory allowances on accounts in the National Bank are not included in cash and cash equivalents for the purposes of preparing the statement of cash flows.

Financial instruments

Initial recognition

Financial assets and liabilities are reported in the statement of financial position when the Bank becomes a party to the contract in respect of the financial instrument concerned.
Financial assets and liabilities are initially recognized at fair value and financial assets and liabilities not classified as measured at fair value through profit or loss are recognized at fair value plus transaction costs directly associated with the acquisition or issuance of a financial asset or financial liability.

Date of recognition

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

Classification and subsequent measurement of financial instruments: categories of measurement

The Bank classifies financial instruments using the following categories of measurement:
- asset measured at amortized cost;
- asset measured at fair value through other comprehensive income (FVTOCI);
- asset measured at fair value through profit or loss (FVTPL).

Business model analysis is performed at the portfolio level. The Bank analyses all relevant and objective evidence available at the date of valuation to determine the business model for specific portfolios of financial assets.

A financial asset is measured at amortized cost only if it meets both of the following conditions:
a) the asset is held within the framework of a business model that seeks to retain assets to obtain contractual cash flows;
b) the contractual terms of the financial asset provide for cash flows in the stated dates, which are solely a payment on the principal amount of the debt and interest accrued on the outstanding part of the principal amount (SPPI-test is executed).

A financial asset is measured at fair value through other comprehensive income if it meets both of the following conditions:
a) the asset is held within the framework of a business model, the purpose of which is achieved both through the receipt of contractual cash flows and through the sale of financial assets;
b) the contractual terms of the financial asset provide for cash flows in the stated dates, which are solely a payment on the principal amount of the debt and interest accrued on the outstanding part of the principal amount (SPPI-test is executed).

Financial asset is measured at fair value through profit or loss excluding the cases when it is measured at amortized cost or at fair value through other comprehensive income.
Notwithstanding the provisions described above, the Bank may, upon initial recognition of a financial asset, at its sole discretion, classify it, without reclassification, as measured at fair value through profit or loss, if such classification results in the elimination or material reduction of the measurement or recognition mismatch. which would otherwise have arisen.

On initial recognition, the Bank decides, without the right to revoke it, to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument not held for trading. Dividends received from such an investment are recognized by the Bank in profit or loss.

Classification and subsequent measurement of financial assets: business model

The classification and subsequent measurement of financial assets depend on the business model used by the Bank to manage the financial assets and the characteristics of the financial asset associated with the contractual cash flows. The Bank sequentially conducts two tests to determine the category of a financial asset: a test for the used business model; test for characteristics of cash flows.

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

- retention of assets to receive contractual cash flows, or
- receiving contractual cash flows and cash flows arising from the sale of assets.

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

The business model is defined for a group of assets (at the portfolio level) on the basis of all relevant evidence of the activity that the Bank intends to undertake to achieve the objective set for portfolio available at the valuation date.
If the business model provides for the retention of assets to receive contractual cash flows or to receive contractual assesses flows and to carry out sales, the Bank estimates whether cash flows are solely payments of principal and interest (the "solely payments of principal and interest test" or the "SPPI test").

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

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

Loans to customers that meet the SPPI criterion are withheld to receive the contractual cash flows and are recognized at amortized cost.
Impairment of loans measured at amortized cost or at fair value through other comprehensive income is determined using the forecast model of expected credit losses.

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

At each reporting date, the Bank estimates expected credit losses on a financial instrument in the amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition. If, at the reporting date, there has been no significant increase in the credit risk of a financial instrument since initial recognition, the Bank estimates an expected credit loss allowance for the financial instrument at an amount equal to 12-month expected credit losses.

In accordance with the requirements of IFRS 9, the Bank applies an expected credit loss model for the purpose of making allowance for financial instruments, the key principle of which is to timely reflect deterioration or improvement in the credit quality of financial instruments, taking into account current and forecast information.

The allowance for expected credit losses is based on:
a) expected credit losses within 12 months - for financial instruments in the absence of factors indicating a significant deterioration in credit quality from the date of initial recognition, or signs of impairment;
b) expected credit losses over the entire life of a financial instrument - for financial instruments for which factors have been identified that indicate a significant increase in credit risk, or signs of impairment.

In order to form allowance the Bank applies the following approach:

As at the date of recognition the financial instruments relate to Stage 1.
A financial instrument for which there was no significant increase in credit risk during the reporting period is classified as relating to Stage 1. For Stage 1 financial instruments, the expected credit losses are estimated to be equal to the portion of the expected credit losses for the entire term that arise as a result of defaults that may occur within the next 12 months (12-month ECL), or to maturity if it is less than 12 months from the reporting date. If the Bank detects a significant increase in credit risk from the moment of initial recognition, the asset is transferred to Stage 2 and the expected credit losses are estimated on the basis of expected credit losses for the entire term (ECL for the entire term).

If the Bank determines that a financial asset is impaired: the borrower is assigned the default status, the asset is transferred to Stage 3 and the expected credit losses are estimated as expected credit losses for the entire term.

Determination of a significant increase in credit risk

By applying an assessment of the quality of the loan and, if applicable, relevant historical experience, the Bank can determine that there has been a significant increase in credit risk in the position exposed to credit risk, if specific qualitative indicators show this, and the indicators cannot be fully taken into account within the quantitative analysis in a timely manner.
The Bank believes that a significant increase in credit risk occurs no later than the moment when the number of days of past due debt on the asset exceeds 30 days. The Bank determines the number of days

of past due debt by counting the number of days starting from the earliest day as of which full payment has not been received.

Determination of default

The assessment of the probability of default of clients is carried out on the basis of conditional credit ratings assigned based on the risk group determined in accordance with the Instruction on the procedure for the formation and use of special reserves by banks, the Development Bank of the Republic of Belarus and non-bank financial institutions on assets and operations not reflected in the balance sheet, approved by the Resolution of the Board of the National Bank dated 28 September 2006 No. 138 (hereinafter Instruction No. 138) and in accordance with the methodology developed by the Bank.

To determine the probability of default (PD), the Bank uses an assessment for corporate loans, which is based on contingent credit ratings. To obtain a conditional credit rating for the reporting date and the previous reporting date, a migration matrix is built, then the resulting migration matrix is adjusted taking into account the influence of macroeconomic factors calculated for 3 calendar years in advance.

To determine the probability of default (PD) for retail loans, the Bank uses an estimate, which is carried out by dividing credit debt of individuals into portfolios of homogeneous loans by periods of delay: no delay, from 1 to 30 days, from 31 to 60 days, from 61 to 90 days, over 90 days.

To determine the probability of default (PD) of financial institutions, the Bank uses an assessment based on external credit ratings assigned by external rating agencies. To obtain annual estimates of the probability of default (PD) for financial institutions, the Bank uses Standard & Poor's one-year rating migration matrices published in the Annual Global Corporate Default And Rating Transition Study. At the same time, if a financial institution has been assigned a rating by another external rating agency, the rating is consistent with the Standard & Poor's rating in accordance with the methodology developed by the Bank.

Modified financial assets

If the terms of a financial asset changes, the Bank assesses whether the cash flows of such modified asset differ significantly. If cash flows differ significantly, the initial financial asset is derecognized and the new financial asset is recognized and classified in accordance with IFRS 9 (including the testing of cash flows using the SPPI test). Factors leading to the derecognition of a financial asset include changes in the currency of a financial asset; change from the fixed interest rate to a floating interest rate and, vice versa, replacement of the debtor (counterparty) under the contract.

Changes in cash flows of existing financial instruments are not considered to be a modification of the terms if they result from the current terms of the contract, for example, changes in interest rates due to changes in the refinancing rate of the National Bank if the relevant loan agreement allows the Bank to change interest rates. Immaterial modifications also include changes in the term of the contract, changes in the frequency of payments of principal and interest.

As part of its credit risk management activities, the Bank revises the terms for loans to customers experiencing financial difficulties in order to maximize the amount of debt repaid and minimize the risk of default.

The Bank recognizes profit or loss from modification calculated on the basis of changes in cash flows discounted at the initial effective interest rate in the statement of comprehensive income before the impairment loss is recognized. In case of a modification that does not result in derecognition, the Bank also reassesses whether the credit risk on a financial asset has increased significantly since its initial recognition, taking into account all reasonable and corroborated information, including forecast information.

Forecast information

The Bank includes the forecast information both in its assessment of a significant increase in credit risk from the moment of initial recognition, and in the assessment of expected credit losses. The Bank uses expert assessment to evaluate forecast information. This assessment is also based on external information. External information may include economic data and forecasts published by state bodies and monetary regulatory bodies such as the National Bank of the Republic of Belarus, the Ministry of Economy, as well as certain individual and scientific forecasts.

Reclassification of financial assets

Reclassification of financial assets is carried out only in cases of changes in the business model used for the management of financial assets, the Bank must reclassify all affected financial assets, with the reclassified financial asset being assessed in a perspective from the reclassification date, previously recognised gains, losses (including impairment gains or losses) or interest is not recalculated.
Such changes are expected to occur very rarely. Such changes should be determined by the senior management of the Bank as a consequence of external or internal changes and should be significant for the Bank's operations and obvious to external parties.

Derecognition of financial assets

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

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

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Fair value of financial instruments

Fair value is the price that can be obtained from the sale of an asset or paid from the transfer of a liability on a voluntary basis on a principal (or the most advantageous) market at the valuation date in the current market conditions. The price in the principal (or most advantageous) market used to measure the fair value of an asset or liability should not be adjusted for transaction costs, as they are not a characteristic of the asset or liability but report the terms of the transaction in respect of the asset or liability.

To estimate fair value, the Bank uses such methods as are appropriate in the circumstances and for which sufficient data are available, while making maximum use of the observable inputs and minimal use of the unobservable inputs.

The Bank estimates the fair value of financial instruments that are actively traded in organized financial markets on the basis of market quotations, and in their absence - according to external independent sources on the price of demand (supply) for similar financial instruments. The market is considered active when transactions with assets and liabilities are carried out on it with a frequency and volume sufficient to obtain information on estimates on an ongoing basis.

To determine the fair value of financial instruments that are not traded in organized financial markets, the following is used: information (if any) on recent market transactions between independent parties informed, interested in such transactions but not under duress, in a position to participate in such transactions, references to present value of financial instruments similar to a significant extent, the discounted cash flow model, the analysis of financial information on investment objects and other methods, if such methods can provide reliable estimation of the fair value of financial instruments. When using the discounted cash flow model, the Bank applies discount ratios calculated on the basis of prevailing market interest rates for financial instruments with similar conditions, including the creditworthiness of the counterparty, the remaining period of the fixed interest rate, the remaining maturity, currency, collateral, etc.

Where it is difficult to apply a method to determine the fair value of a financial instrument, a professional judgment based on liquidity, concentration, market uncertainty, cost assumptions and other factors affecting the financial instrument is applied.

Derivative financial instruments

Derivative financial instruments used by the Bank include forward contracts and foreign currency swaps. The Bank uses derivative financial instruments to manage currency and liquidity risk.

The Bank does not carry out hedging operations and does not classify derivative financial instruments as hedging instruments, as the Bank does not formally define or document the hedging strategy, nor does it assess its effectiveness in order to apply special hedge accounting rules.

Derivative financial instruments are initially and subsequently recognized at fair value. Fair value is determined using the discounted cash flow model. Derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. The related transaction costs are recognized in the statement of profit or loss in the period in which they were carried out. Positive and negative results on derivative financial instruments in terms of changes in fair value are included in the statement of profit or loss under the item "Net income / (expenses) from transactions with derivative financial instruments".

Due from other banks

In the normal course of business during various periods the Bank places funds and deposits in other banks. The balances of amounts due from other banks are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is based on the fair value of the amount of the loan issued (deposit placed), calculated with interest rates on similar loans and deposits, effective on the date of the issue of the loan (deposit placement). If a loan is granted (deposit placed) at interest rates higher (lower) than market ones, the difference between the fair and nominal value of the loan (deposit) is reflected in the statement of comprehensive income as the effect of initial recognition of financial instruments at fair value. Balances that do not have a fixed maturities are recognized at amortized cost based on expected maturities. Amounts due from other banks are recognized less allowance for impairment.

Loans to customers

Loans to customers are recorded, starting from the moment cash is granted to borrowers, at the initial cost of the cash provided, taking into account the transaction costs (i.e., the fair value of the compensation paid or received). Loans issued at interest rates other than market rates are measured at fair value at the date of issue, which is the future cash flows on the loan discounted under market rates for similar loans. The difference between fair and nominal value of loans is recorded in the statement of profit or loss as an effect from the initial recognition of financial instruments at fair value.

Subsequently, loans to customers are recognized at amortized cost using the effective interest rate method. Loans to customers are recognized less allowance for impairment.

Investments measured at amortized cost

Investments measured at amortized cost include debt securities. The securities are recognized at fair value upon initial recognition and are subsequently measured at amortized cost using the effective interest rate method. The amortized cost is based on the fair value of the securities calculated using market quotations or interest rates for similar financial instruments effective on the date of conclusion of the relevant transaction on acquisition of securities. The difference between fair and nominal value of securities is recorded in the statement of profit or loss as an effect from the initial recognition of financial instruments at fair value. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss.
Securities measured at amortized cost are recorded less the allowance for impairment.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income include debt securities. The securities are recorded at fair value upon initial recognition. Subsequently, securities are recorded at fair value, and revaluation is recognized in other comprehensive income until the time of the sale, when profit / (loss) previously recognized in other comprehensive income is recorded in the statement of profit or loss. Interest income is accrued using the effective interest rate method and is recorded directly in the statement of profit or loss. The Bank uses market quotations to determine the fair value of the Bank's financial assets available for sale. These securities are recognized, less of allowance for impairment.

Impairment of financial assets

The Bank applies the model of expected credit losses for the purpose of reserving financial debt instruments, the key principle of which is timely reflection of deterioration or improvement of credit quality of debt financial instruments, taking into account current and forecast information.

The Bank estimates the expected credit losses on a financial instrument in a way that reflects:
- an unbiased and probable amount determined by assessing the range of possible results;
- the time value of the money;
- reasonable and corroborated information on past events, current conditions and forecast information on possible future events available at the reporting date without excessive cost or effort.

The Bank recognizes the estimated allowance for expected credit losses on the following financial instruments, which are not measured at fair value through profit or loss:
- financial assets that are debt instruments;
- lease receivables;
- issued financial guarantee agreements; and
- issued loan commitments.

At each reporting date, the Bank assesses financial assets at amortized cost and debt financial assets at fair value through other comprehensive income for their credit impairment. A financial asset is "credit impaired" when one or more events occur that adversely affect the estimated future cash flows of such a financial asset.

Evidence of credit impairment of a financial asset is, in particular, the following observable inputs:

- the presence of overdue debt on the principal debt with a term of more than 90 calendar days;
- initiation of economic insolvency (bankruptcy) proceedings against the client by the economic court;
- written refusal of the client (official statement) from the debtor's fulfilment of obligations under the contract (for the payment of the principal debt, interest, submission of reports, non-admission of bank employees to check the collateral).

If the following indicators of impairment are identified, financial institutions are considered to be credit impaired:

- the presence of overdue debt on the principal debt with a term of more than 90 calendar days;
- suspension, termination, cancellation, revocation of special permits (licenses) to carry out banking activities, which may affect the performance of the bank's obligations;
- availability of confirmed information on the appointment of a temporary administration to manage the bank, a decision to liquidate a bank by decision of its participants or a bank body authorized by its charter;
- an absolute decrease in the bank's capital by more than twenty percent compared to the maximum value reached over the past twelve months;
- suspension by authorized bodies of operations on correspondent accounts of the bank and (or) seizure of the bank's funds on the accounts opened by the Bank.

Approach for acquired or originated credit impaired financial assets

For acquired or originated credit-impaired financial assets at the date of initial recognition, the Bank considers expected credit losses when calculating the effective interest rate, adjusted for credit risk, and no allowances are made for impairment losses on such financial assets. At subsequent reporting dates, to calculate the allowance for impairment losses, the Bank estimates only cumulative changes in expected credit losses over the life of the asset.

The approach defines the following steps:
a) Calculation of the effective interest rate, adjusted for credit risk, at the date of initial recognition;
b) Calculation of allowances for impairment losses for acquired or originated credit-impaired financial assets at subsequent reporting dates.
Lifetime expected credit losses of a financial asset are calculated even if there is no indication of impairment for the acquired or originated credit-impaired financial asset at the reporting date.

Financial liabilities

Financial liabilities other than those recognized at fair value through profit or loss are classified as liabilities recognized at amortized cost. Liabilities recognized at amortized cost are initially recognized at fair value, less transaction costs incurred. They are subsequently measured at amortized cost.
The classification of liabilities after initial recognition is not subject to change.
When a liability is returned or settled before maturity, the difference between the value repaid and the value recorded in the statement of financial position is recognized directly in the statement of profit or loss.

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

Preference shares

Preference shares are classified as a financial liability because they involve payment of mandatory fixed dividends. Dividends in this case are recognized as interest expenses in the statement of profit or loss as accrued.

Derecognition of financial liabilities

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

Replacement of one existing financial liability (or part thereof) with another liability owed to the same creditor on substantially different terms or substantial changes to the terms of the existing liability is recorded as the repayment of the initial financial liability and recognition of the new financial liability. The resulting difference between the carrying amount of the liabilities is recognized in the statement of profit or loss.

Offsets of financial instruments

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

Property and equipment

Property and equipment are recorded at acquisition cost (property and equipment acquired prior to 1 January 2015 — at acquisition cost adjusted to be recorded in monetary units effective as at 31 December 2014), less of accumulated depreciation and allowance for impairment, if any.

The value of property and equipment consists of:

- its purchase price, including import duties and non-refundable purchase taxes, after deduction of trade discounts and refunds;
- any costs directly related to the delivery of the asset to the place and the creation of conditions for use in accordance with Management's intentions;
- initially estimated costs of dismantling and removing the object, restoration of the site where it was located - a liability that the Bank undertakes either when the object is acquired, or as a result of using the object for a certain period not for administrative purposes.

Profit or loss on disposal of property and equipment is defined as the difference between the net income on disposal and the value of the assets recognized in the statement of financial position and is recognized in the statement of profit or loss as "Other income". Repair and maintenance costs are recognized in the statement of profit or loss as operating expenses at the time they arise.

Depreciation of property and equipment starts from the month following the month of its commissioning. Depreciation is accrued using a straight-line method with the following annual depreciation rates:

- buildings and structures – 1.7 — 11%;

- vehicles – 11.11 — 14.29%;
- office and computer equipment – 10 — 20%;
- other property and equipment – 5 — 25%;
- safes and other engineering equipment (included in other property and equipment) – 2 — 3%.

The residual value of an asset is the estimated amount that the Bank would have received at this time had the asset been sold, less the estimated cost of disposal if the condition and age of the asset corresponded to the age and condition that the asset will have at the end of its useful life. The residual value, depreciation method and the useful life of the assets are reviewed and, if necessary, adjusted for each reporting date.

Intangible assets

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

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

Intangible assets include software, licenses, rights of use of land and other intangible assets.

Intangible assets acquired individually are recorded at acquisition cost (intangible assets acquired prior to 1 January 2015 — at acquisition cost adjusted to be recorded in monetary units effective as at 31 December 2014), less of accumulated amortization and accumulated impairment losses, if any.

Intangible assets with limited useful life are amortized over their useful life using a straight-line method. Depending on the type of intangible assets, useful life is:

- software – 2.5 – 10 years;
- licenses – 10 years;
- rights of use of land – 4-39 years;
- other – 2-10 years.

The terms and amortization procedure of intangible assets with a limited useful life, as well as the presence of signs of possible impairment of an intangible asset, are reviewed annually at the end of each reporting year.

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

Impairment of non-financial assets

At each reporting date, the Bank determines the existence of possible signs of impairment of non-financial assets, with the exception of investment property and deferred tax. If such signs exist, the Bank assesses the recoverable value of the asset. The recoverable value of an asset is defined as the highest of the value derived from use and the net value of sale. In determining the value derived from use, the expected cash flows are discounted to the value recorded in the statement of financial position using a discount rate (before taxation), which reflects the current market estimates of the value of money over time and the risks inherent in the asset.

For non-financial assets, impairment losses arising in prior periods are reviewed at each reporting date for signs that the loss has decreased or no longer exists. Impairment losses are recovered if there are changes in the estimates used to determine recoverable value. Impairment losses are recovered only to the extent that the value of the asset recorded in the statement of financial position does not exceed the value recorded in the statement of financial position that would have been used to account for the asset less amortization/depreciation had the impairment losses not been recognized.

After recognition of impairment, depreciation of property and equipment and amortization of intangible assets for future periods is adjusted to distribute the revised value of the asset as recorded in the statement of financial provision, less liquidation value (if necessary), on a continuous basis for the remainder of the useful life.

Assets held for sale

Where the value of an asset recorded in the statement of financial position is to be recovered as a result of its sale rather than further use, the asset is classified by the Bank as asset held for sale. In this case, the asset should be available for immediate sale in its present condition under standard terms of sale of such assets, and the sale should be of a high degree of probability, which is confirmed by a management decision to sell the asset, a sales plan, an active offer of the asset in the market, and a search for buyers. The planned completion period of the transaction should not exceed 1 year from the date of asset classification.

Assets available for sale are estimated at the lowest of 2 values: its value recorded in the statement of financial position and fair value less costs of sale. Impairment losses identified upon the initial classification into assets available for sale are recognized as profit or loss for the reporting period.

In estimating fair value, the Bank is guided by the data on current prices in the active market for identical assets and, in its absence, by the prices in the active market for similar real estate objects, adjusted for existing differences; recent prices of similar assets adjusted for any changes after the transaction date prior to the reporting date; discounted cash flow forecasts.

Depreciation is not charged for assets held for sale.

If an asset available for sale is reclassified as an asset intended for use, it is estimated at the lowest of 2 values: the value of the asset recorded in the statement of financial position before it was classified as available for sale, adjusted for any depreciation and impairment losses that would have been recognized if the asset had not been classified as available for sale and its recoverable value as at the date of the decision to refuse sale.

Repossessed assets

In the ordinary course of business, the Bank receives a title for non-financial assets, which were initially represented as collateral for a loan. When the Bank acquires (i.e., gains a complete ownership) non-financial assets in this way, the asset's classification follows the nature of its intended use by the Bank.

Such assets are initially recognized at the value of appropriate loans recorded in the statement of financial position. Subsequently such assets are usually classified as other assets and accounted for in accordance with IAS 2 at the lower of cost and net sales price. These policies are also applicable to property acquired by the Bank as loan repayment through repossession of collateral or as compensation for credit and other contracts and intended solely for subsequent sale or for renovation and resale (by decision of the authorized body of the Bank on the implementation of such reconstruction).

Net realizable value is the estimated selling price for repossessed assets in the ordinary course of business less the estimated sales costs. At each reporting date the Bank revises the net realizable value and compares it with the cost of repossessed assets recorded in the statement of financial position. If the cost of such assets is not recoverable due to damage or obsolescence of assets, market prices decline or increase in the estimated costs of completion and sales costs, the Bank writes such assets down to their net realizable value and recognizes the write down in operating expenses in the period such write down occurs or losses take place. Subsequently, if the circumstances which led to the write down of assets change or if there is an evidence of net realizable value growth, the amount of write down is reversed so that the revised amount recorded in the statement of financial position would be the lower of net realizable value and cost.

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

Lease

Bank as a lessee

The Bank recognizes as a lessee a right-of-use asset and a lease liability at the commencement date of the lease in respect of all leases, except low-value assets and short-term leases that do not provide for their purchase by the lessee. Lease payments for low value items and short-term leases are recognized as an expense on a straight-line basis over the lease term and recognized in profit or loss. When determining the lease term, lease agreements that are not subject to early termination are taken into account, taking into account the options to extend and terminate the lease. The calculation of the lease term also includes periods of free use of the leased object.

The asset is recognized at the commencement date of the lease at cost, which includes the costs incurred and the initial measurement of the lease liability, payments to the lessor at the commencement of the lease or before the commencement of the lease less payments received, direct lease costs. Subsequent to the commencement date of the lease, at cost less accumulated depreciation and impairment losses in accordance with IAS 16 Property, Plant and Equipment, and adjusted to record certain revaluations of the lease liability.

The lease liability is initially measured at the present value of the lease payments outstanding at the commencement date discounted using the interest rate implicit in the lease or, if this rate cannot be readily determined, the Bank's incremental borrowing rate. The carrying amount of the lease liability is subsequently increased by interest on that liability, reduced by the lease payments made and revalued to reflect revaluation or modification of leases, or to reflect substantively revised fixed lease payments. Lease liabilities are presented in "Other liabilities" in the statement of financial position.

Bank as a lessor

The Bank classifies each of its leases as operating leases or finance leases.

A lease is classified as a finance lease if it transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. A lease is classified as an operating lease if it does not transfer substantially all of the risks and rewards incidental to ownership of the underlying asset.

Share capital

Common shares are classified as capital. Costs directly related to the issuance of common shares are recognized as capital reduction, less tax effect.

Share capital is recorded at initial cost (contributions to share capital up to 1 January 2015 — at initial cost adjusted to reflect it in monetary units in effect as at 31 December 2014).

When share fund classified as capital is redeemed, the amount to be paid, which includes direct costs, less the effect of taxation, is deducted from the capital. The purchased shares are classified as own and deducted from the total capital. When own redeemed shares are sold or reissued, the resulting amount is classified as an increase in capital, and the resulting difference is attributable to retained earnings or subtracted from it.

Credit-related commitments

The Bank assumes credit related commitments, including financial guarantees, letters of credit and loan commitments. Guarantees are the Bank's irrevocable commitments to perform payments when the customer does not fulfil his obligations to third parties and have the same level of credit risk as loans. Letters of credit are the Bank's written commitments to make payments on behalf of customers in agreed amount when certain conditions are met; they are collaterized with the corresponding deliveries of goods or deposits and, accordingly, have lower risk level, than direct lending. Loan commitments represent an unused part of loans, guarantees or letters of credit authorized for issue. In respect of the loan commitments, the Bank potentially has the risk to sustain losses in the amount equal to the total amount of the unused commitments. However, the likely amount of losses is less than the total amount of unused liabilities, as most of the loan liabilities are due to customer compliance with certain creditworthiness standards.

If the counterparty has a current balance sheet debt, the assessment of the allowances for expected credit losses for credit related commitments is carried out in accordance with the approaches applied to reservation of the balance debt of this counterparty taking into account the credit conversion ratio. If the counterparty has only credit related commitments, the assessment of the estimated allowances for credit losses is carried out depending on the volume of the liability, taking into account the credit conversion ratio, individually or collectively.

Credit related commitments are initially recorded at fair value supported by the amount of commissions received. At each reporting date, liabilities are estimated at the highest of the two values: the unamortized amount of the initial recognition (commission received) or the amount recorded as an allowance. In cases where commissions are accrued periodically in respect of an unrealized liability, they are recognized as revenue for the duration of the relevant liability.

Provisions, contingent liabilities and assets

Provisions are recognized in the financial statements when the Bank has liabilities (legal or constructive) arising from past events. At the same time, there is a high probability that the Bank will require an outflow of economic resources to fulfil these liabilities, and the amount of the liabilities can be reliably estimated.

Provisions are recognized as the best current cost estimate, taking into account the time value of money and, if necessary, the risks inherent in this liability. Provisions are revalued at each reporting date to determine the best estimate of the amount in which the liability will be settled because of changes in the amount or timing of an outflow of resources or a change in the discount rate. Where discounting is applied, the increase in the value of the provision over time is recognized as interest expenses.

A contingent liability is a possible event arising from past events, the existence of which will be confirmed only after the occurrence or non-occurrence of uncertain future events that are not fully under the control of the Bank; or a current liability arising prior to the reporting date and not recognized due to a low probability of disposal of resources that constitute an economic benefit, and it is impossible to assess it in a reliable manner.

A contingent asset is a possible asset arising from past events, the existence of which will be confirmed only after the occurrence or non-occurrence of uncertain future events, which are not fully under the control of the Bank.

The Bank does not recognize contingent assets and contingent liabilities in its financial statements as their existence depends on conditions beyond the control of the Bank.

Contingent liabilities are disclosed in the financial statements, unless the probability of disposals of resources containing economic benefits under contingent liabilities is very low (remote). Contingent assets are to be disclosed when the flow of economic benefits associated with contingent assets is more likely than not.

Current employee benefits

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

According to the requirements of the legislation of the Republic of Belarus, the Bank makes mandatory payments to the Social Protection Fund of the Ministry of Labour and Social Protection of the Republic of Belarus from the accrued wages of its employees. The Bank has no other pension liabilities to retired employees or to former employees.

Taxation

Income tax expenses are recorded in the financial statements in accordance with the requirements of the current legislation of the Republic of Belarus. Income tax expenses include current tax payments and deferred taxes

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

Due to the fact that some types of expenses are not taken into account for taxation purposes, as well as due to the existence of tax benefits, the Bank has certain permanent tax differences. In 2021 and 2020, the Bank applied the following tax benefits provided by the legislation:

- exemption from taxation of income from transactions with government securities, bonds of the National Bank, bonds of other legal entities;
- investment deduction for newly acquired property and equipment, investments in their reconstruction and modernization;
- exemption from taxation of profits aimed at supporting state sports clubs.

Deferred tax is based on the balance sheet method of accounting and constitutes income tax claims or liabilities accrued on the difference between the value of assets and liabilities, as recorded in the statement of financial position and the relevant tax accounting data used to calculate taxable profits.

A deferred tax liability is usually recorded in respect of all temporary differences that increase taxable profits, while a deferred tax asset is recorded in the likelihood of a future taxable profit to realize appropriate temporary differences that reduce taxation.

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

Deferred tax is calculated at the rate expected to be applied during the maturity period of the liability or the disposal of the asset. Deferred tax is recognized in the statement of profit or loss unless it is related to items directly attributable to other comprehensive income, in which case the deferred tax also is recorded in other comprehensive income.

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

Recognition of income and expenses

Interest income and expenses are recognized in the statement of profit or loss on an accrual basis using the effective interest rate method. The effective interest rate method is a method of calculating the amortized value of a financial asset or financial liability and allocating interest income and interest costs to the relevant period. Effective interest rate is the discount rate for estimated future cash payments or receipts for the expected term of the financial instrument, or for a shorter period, up to a net value of the financial asset or financial liability recognized in the statement of financial position.

When calculating the effective interest rate, the Bank evaluates cash flows taking into account all contractual terms for the financial instrument but does not take into account future losses on loans. Such calculation includes all fees and commissions paid and received by the patties to the contract, transaction costs, and all other premiums or discounts. Transaction costs are additional costs that are directly related to the acquisition, issuance or disposal of a financial asset or liability.

If a financial asset or a group of homogeneous financial assets has been written off (partially written off) as a result of impairment, interest income is determined by taking into account the interest rate used for discounting future cash flows for the purpose of calculating impairment losses. Significant amounts of proceeds from debts written off during the reporting period from established allowances are recorded as the restoration of the allowance for impairment of related financial assets.

Commission income that is not part of the effective interest rate is recognized on an accrual basis as the service is delivered. Commission income for the organization of transactions for third parties is recognised upon completion of the transaction. Income for management and consultancy services is recorded in accordance with the terms of service provision agreements. For services provided over a long period of time or on an on-going basis, commission income is recorded in proportion to the volume of services provided during the reporting period.

Other income is recognized in the statement of profit or loss as the relevant transactions are completed.

Fines (penalties) received by the Bank for non-performance or improper performance of agreements (including credit ones) by counterparties are classified as other income, as this type of income is random, irregular, and constitutes a measure of liability of the parties to the agreement the payment of which is provided for by law and is independent of whether or not it is determined by the relevant agreement.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency, convened at the exchange rate of the National Bank at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date.

Non-monetary assets and liabilities, measured at actual cost in foreign currency, are translated at the exchange rate of the National Bank effective on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currency, which are measured at fair value, are translated into Belarusian rubles at the rate of the National Bank as of the date of determination of fair value.

Profit and loss resulting from the translation of foreign currency transactions are recognized in the statement of profit or loss under the item "Net income/(expenses) from foreign currency transactions".

The table below presents the exchange rates of the Belarusian ruble in relation to the main currencies used by the Bank in its operating activities:

Reporting date	US dollar ("USD") / Belarusian ruble ("BYN")	Euro ("EUR")/ Belarusian ruble ("BYN")	100 Russian rubles ("RUB")/ Belarusian ruble ("BYN")
31 December 2020	2.5789	3.1680	3.4871
31 December 2021	2.5481	2.8826	3.4322

Determination and presentation of operating segments

The Bank determines operating segments and discloses information about them based on internal information provided to the Management Board of the Bank, which adopts key management decisions. Operating segments are defined and disclosed in accordance with IFRS 8 "Operating Segments". An operating segment is a component that constitutes an operational activity that involves income and expenses and for which financial information regularly assessed by the highest management personnel responsible for making operational decisions in resource allocation and analysing financial performance is available.

Operations not allocated to segments are general and are disclosed under item "Other/not allocated" to ensure consistent recording in the Bank's financial statements of the activities of segments with the activities of the Bank as a whole.

For segment reporting purposes, interest income and expenses are determined directly on the basis of the actual performance of the segment. The Bank does not use transfer pricing to allocate funds between segments.

Income from foreign currency transactions in terms of income from revaluation of assets and liabilities is not allocated to segments. The Bank does not allocate losses on net monetary position and income tax expenses between segments.

5. Critical accounting estimates and assumptions in applying accounting policies

The Bank makes estimates and assumptions that affect the reported amounts and the carrying amount of assets and liabilities in the following financial year. Estimates and assumptions are continuously reviewed on the basis of management experience and other factors, including expectations for future events, which management believes are justified in the light of current circumstances. In applying accounting policies, management also uses professional judgments and assessments.

Below are presented the professional judgments that have the most significant impact on the amounts reported in the financial statements and the estimates that may result in significant adjustments to the carrying amount of assets and liabilities in the following financial year.

Allowance for impairment of loans to customers

As at each reporting date, the Bank estimates expected credit losses on a financial instrument at an amount equal to lifetime expected credit losses if the credit risk on the financial instrument has increased significantly since initial recognition. If, at the reporting date, there has been no significant increase in the credit risk of a financial instrument since initial recognition, the Bank estimates an expected credit loss allowance for the financial instrument at an amount equal to 12-month expected credit losses.

In accordance with the requirements of IFRS 9, the Bank applies an expected credit loss model for the purpose of making allowances for financial instruments, the key principle of which is to timely reflect deterioration or improvement in the credit quality of financial instruments, taking into account current and forecast information. The amount of expected credit losses recognized as an allowance for expected credit losses depends on the extent to which the credit quality of the financial instrument has changed since the date of initial recognition.

The allowance for expected credit losses is based on:

- expected credit losses within 12 months - for financial instruments in the absence of factors indicating a significant deterioration in credit quality from the date of initial recognition, or indicators of impairment;
- lifetime expected credit losses of the financial instrument - for financial instruments that have identified factors that indicate a significant increase in credit risk or indicators of impairment.

For receivables, the Bank calculates an expected credit loss allowance in accordance with a simplified approach in an amount equal to the expected credit losses for the entire life of the financial instrument.

Recognition of a deferred tax asset

A recognized deferred tax asset is the amount of income tax that can be set off against future income taxes and is recognized in the statement of financial position. A deferred tax asset is recognized only to the extent that the relevant tax benefit is likely to be used.

The determination of future taxable profit and the amount of tax benefits likely to occur in the future is based on the forecasts of the Management of the Bank.

Initial recognition of related party transactions

In the normal course of business, the Bank carries out operations with related parties. Financial instruments are initially recognized at fair value. In the absence of an active market, professional judgment is used to determine whether operations have been carried out at market or non-market interest rates. The basis for the judgment is the pricing of similar types of operations with unrelated parties and the analysis of the effective interest rate. All operations with related parties are carried out on terms similar to those for operations with independent parties. The terms for operations with related parties are presented in Note 34.

6. Business environment

Business environment in the reporting period was characterized by a high degree of uncertainty in connection with the expansion of sanctions restrictions. Emerging difficulties in production and logistics, necessitating the search for new partners and sales markets, as well as a decrease in domestic demand led to a decrease in the dynamics of economic activity in the second half of 2021. Under the ongoing COVID-19 pandemic, measures were taken to ensure an uninterrupted production process and minimization of possible risks to the population. In preparing these financial statements, the Bank has assessed and taken into account the impact of COVID-19 and various measures of provided and planned government support for the population and businesses in assessing the validity of the use of going concern assumption. According to the estimates of the Management of the Bank there is no significant uncertainty regarding the Bank's ability to carry out its activities using going concern principle.

In 2021, the sovereign ratings of the Republic of Belarus established by international rating agencies did not change: Moody's – "B3", the estimation is "Negative"; Fitch Ratings – "B", the estimation is "Negative"; Standard&Poor's – "B", the estimation is "Negative".

Annual inflation in the consumer sector in 2021 was 9.97%, with a target value of no more than 5%. Both external factors (the implementation of a soft monetary policy by a number of leading countries, the growth of logistics costs under epidemiological restrictions, the growth of world prices for food products, a surge in consumer demand against the background of insufficient supply), and internal factors (repeal of

VAT benefits for certain groups of imported goods, the increase in the cost of fuel in connection with increase in oil prices, inflation and devaluation expectations) contributed to the price increase.

In order to limit inflationary risks and strengthen measures in the sphere of control over the money supply, the National Bank in 2021 increased the refinancing rate, which as of 1 January 2022 amounted to 9.25% per annum (as of 1 January 2021 – 7.75%). The average annual rate of the one–day interbank market for 2021 in the national currency was 5.29% per annum, in foreign currency - 0.90%.

The average weighted exchange rate of BYN on the foreign exchange market of the Republic of Belarus against the RUB in January-December 2021 was at the level of BYN 3.4424 for 100 RUB; against the USD – BYN 2.5385 for 1 USD, against EUR – BYN 2.9923 for 1 EUR.

In 2021, BYN strengthened against the main currencies traded on the domestic market. This was promoted by positive trends in foreign trade, as a result of which a net supply of foreign currency was formed in the domestic foreign exchange market by the end of 2021. At the same time, net sellers of foreign currency were not only business entities, but also the population.

The value of the broad money supply as of 1 January 2022 amounted to BYN 53,281.1 million. Since the beginning of 2021, the broad money supply increased by 4.9%. The ruble money supply as of 1 January 2022 amounted to BYN 23,826.2 million and increased by 14.5% compared to the beginning of 2021. The volume of cash in circulation as of 1 January 2022 increased by 13.3% compared to 1 January 2021 and amounted to BYN 4,673.4 million.

Increase in the cost of lending against increase in the refinancing rate, as well as a high level of credit burden on enterprises caused a compression in the volume of financing provided by the banking sector – the volume of loans issued to business entities increased by 2.2% in 2021 by the beginning of the year. The retail loan portfolio increased by 5% in 2021.

The savings behaviour of the population in the first half of 2021 was characterized by negative dynamics. As a result of rising interest rates of banks, stabilization in the foreign exchange market and increased confidence in the national currency, the volume of ruble savings of individuals in banks began to grow in the second half of 2021. In 2021 term ruble deposits of the population and business entities increased by 15.2%. In the third quarter of 2021 the outflow of foreign currency deposits of individuals from banks stopped, but by the end of the year, the total decrease in foreign currency savings of the population amounted to about USD 750 million. The stabilization of the situation on the deposit market is also evidenced by the gradual lengthening of the term structure of deposits, as well as a high proportion of irrevocable deposits in the structure of term deposits of the population. To a large extent, the reduction in retail foreign currency deposits was offset by the funds of business entities attracted by banks.

Real disposable monetary income (monetary income net of taxes, fees and contributions, adjusted for the consumer price index for goods and services) of the population of the Republic of Belarus in 2021 amounted to 102% of the level of 2020.

At the year-end 2021 the GDP of the Republic of Belarus increased by 2.3%. The state debt of the Republic of Belarus as of 1 January 2022 amounted to BYN 58.3 billion and increased by 0.9% compared to the beginning of 2021. The external public debt as of 1 January 2022 amounted to USD 18.2 billion having decreased by 2.1% since the beginning of the year. The domestic public debt as of 1 January 2022 amounted to BYN 11.8 billion having increased by 19.9% since the beginning of the year.

On 29 September 2021 the Bank, within the framework of the concluded agreement to cession of claim, carried out an operation to sell a portfolio of loans granted to individuals by assignment of monetary claim rights. The amount of the assigned claims under these loan agreements amounted to BYN 8,265 thousand. The cost of the cession of claim amounted to BYN 6,612 thousand. The amount of BYN 6,609 thousand is recorded as income from the cession of claim and is included in other income in Note 26.

7. Cash and cash equivalents

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Cash balances with the National Bank of the Republic of Belarus	47,916	38,439
Nostro accounts	35,647	18,465
Cash	26,851	21,417
Due from other banks with maturity up to 90 days	-	10,041
Allowance for impairment	(1,074)	(459)
Total cash and cash equivalents	**109,340**	**87,903**

As at 31 December 2020 funds due from other banks with maturities of up to 90 days were funds provided to Belarusian banks under repurchase agreements secured by securities. As at 31 December 2021 there were no funds due from other banks with maturities of up to 90 days.

(a) Credit quality of funds in bank accounts

The credit quality of financial institutions is assessed on the basis of external credit ratings established by rating agencies. The Bank uses credit ratings established by Standard & Poor's. At the same time, if a financial institution is assigned a rating by another external rating agency, this rating shall correspond to the Standard & Poor's rating. If there is no long-term credit rating assigned by international rating agencies, the rating of a financial institution on the Standard & Poor's scale is determined in accordance with the international credit ratings of the country of residence of the financial institution, aligned with the rating of Standard & Poor's. If there is no long-term credit rating assigned by international rating agencies, as well as a credit rating of the country of residence of the financial institution, the credit rating is determined on the basis of the expert opinion of the Bank's Management.

(b) Changes in carrying amount and allowance for impairment

The tables below provide an analysis of changes in the carrying amount of funds in current accounts with banks and funds due from other banks with maturities of up to 90 days and the corresponding estimated reserves for ECL in 2021:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**28,506**	-	-	**28,506**
Newly created or purchased	29,723	-	-	29,723
Derecognition as a result of disposal	(22,148)	-	-	(22,148)
Effect of other changes in gross carrying amount	(434)	-	-	(434)
Gross carrying amount as at 31 December 2021	**35,647**	-	-	**35,647**

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2021	**459**	-	-	**459**
Newly created or purchased	968	-	-	968
Derecognition as a result of disposal	(344)	-	-	(344)
Effect of exchange rate changes and other changes	(9)	-	-	(9)
ECL as at 31 December 2021	**1,074**	-	-	**1,074**

The tables below provide an analysis of changes in the carrying amount of funds in current accounts with banks and funds due from other banks with maturities of up to 90 days and the corresponding estimated reserves for ECL in 2020:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**19,759**	**-**	**-**	**19,759**
Newly created or purchased	18,321	-	-	18,321
Derecognition as a result of disposal	(11,822)	-	-	(11,822)
Effect of other changes in gross carrying amount	2,248	-	-	2,248
Gross carrying amount as at 31 December 2020	**28,506**	**-**	**-**	**28,506**

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	**166**	**-**	**-**	**166**
Newly created or purchased	372	-	-	372
Derecognition as a result of disposal	(95)	-	-	(95)
Effect of exchange rate changes and other changes	16	-	-	16
ECL as at 31 December 2020	**459**	**-**	**-**	**459**

(c) Concentration

As at 31 December 2021 and 2020, the Bank had balances due to three and two banks that excess 10% of the Bank's capital correspondingly. The total amount of these funds as at 31 December 2021 was BYN 29,112 thousand, as at 31 December 2020 was BYN 17,577 thousand.

(d) Maximum credit risk

The maximum credit risk for cash and cash equivalents is equal to their value as recognized in the statement of financial position.

8. Derivative financial instruments

As at 31 December 2021 derivative financial instruments are presented as follows:

In thousands of Belarusian rubles	Nominal value		Fair value	
	Purchased currency	**Amount of purchased currency**	**Assets**	**Liabilities**
Swap transactions with foreign currency				
USD / EUR	USD	25,206	-	-
RUB / EUR	RUB	9,450	-	-
Total derivative financial instruments		**34,656**	**-**	**-**

As at 31 December 2020 derivative financial instruments are presented as follows:

In thousands of Belarusian rubles	Nominal value		Fair value	
	Purchased currency	**Amount of purchased currency**	**Assets**	**Liabilities**
Swap transactions with foreign currency				
USD / EUR	USD	54,411	-	-
BYN / EUR	BYN	6,968	-	
RUB / EUR	RUB	20,019	-	-
Total derivative financial instruments		**81,398**	**-**	**-**

The presence of these derivative financial instruments leads to the Bank's credit risk. The maximum credit risk of an asset arising from its valuation at the fair value of a derivative is equal to its value recorded in the statement of financial position.

As at 31 December 2021 and 31 December 2020, derivative financial assets are represented by transactions with the banks which has been assigned BB+ and BBB- ratings by the international rating agencies.

9. Due from other banks

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Deposits placed in other banks as fulfilment of obligations	1,140	739
Allowance for impairment	(77)	(64)
Total due from other banks less allowance for impairment	**1,063**	**675**

As at 31 December 2021 and 2020 deposits placed in other banks as fulfilment of obligations were guarantee deposits for operations with payment cards and a contribution to the guarantee fund of the foreign exchange market JSC "Belarusian Currency and Stock Exchange".

The tables below provide an analysis of changes in the carrying amount of funds in other banks and the corresponding estimated reserves for ECL in 2021:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**739**	**-**	**-**	**739**
Newly created or purchased	408	-	-	408
Effect of other changes in gross carrying amount	(7)	-	-	(7)
Gross carrying amount as at 31 December 2021	**1,140**	**-**	**-**	**1,140**

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2021	**64**	**-**	**-**	**64**
Newly created or purchased	13	-	-	13
ECL as at 31 December 2021	**77**	**-**	**-**	**77**

The tables below provide an analysis of changes in the carrying amount of funds in other banks and the corresponding estimated reserves for ECL in 2020:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**708**	**-**	**-**	**708**
Derecognition as a result of disposal	(106)	-	-	(106)
Effect of other changes in gross carrying amount	137	-	-	137
Gross carrying amount as at 31 December 2020	**739**	**-**	**-**	**739**

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	**7**	**-**	**-**	**7**
Newly created or purchased	56	-	-	56
Effect of exchange rate changes and other changes	1	-	-	1
ECL as at 31 December 2020	**64**	**-**	**-**	**64**

The maximum credit risk of amounts due from other banks equals to its net value reported in the statement of financial position.

10. Securities measured at fair value through profit or loss

As at 31 December 2021 and 2020 securities measured at fair value through profit or loss are represented by the following securities:

	Interest rate range	Maturity by the issuer	31 December 2021	31 December 2020
Bonds of the Ministry of Finance of the Republic of Belarus denominated in EUR	3,79 – 5,00%	2022 – 2026	11,768	12,933
Bonds of the Ministry of Finance of the Republic of Belarus denominated in USD	3,70 – 5,00%	2025 – 2028	25,834	26,405

The maximum credit risk of securities measured at fair value through profit and loss equals to its value reported in the statements of financial position.

11. Loans to customers

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Loans to corporate clients	183,716	191,679
Loans to individuals	89,765	92,003
Total loans to customers	**273,481**	**283,682**
Allowance for impairment	(23,814)	(10,978)
Total loans to customers less allowance for impairment	**249,667**	**272,704**

(a) Quality of loans to customers

When assessing the quality of the credit portfolio, the Bank uses the classification of credit to corporate clients based on conditional credit ratings assigned based on the risk group defined in accordance with Instruction No. 138. The compliance of the risk groups established by the Instructions and the conditional ratings applied by the Bank is reflected in the Methodology and is presented in the table below:

Conditional rating applied by the Bank	A	B	C	D	E
Risk group in accordance with Instruction No. 138	I	II	III	IV	V, VI

When classifying credit to individuals, payment discipline is a fundamental factor. Assessment of the quality of credit to individuals is carried out by dividing credit debt into portfolios of similar loans by periods of delay: without delay, with a period of delay from 1 to 30 days, from 31 to 60 days, from 61 to 90 days, over 90 days.

The analysis of the quality of the credit portfolio as at 31 December 2021 is presented in the following table:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Loans to corporate clients (in accordance with the assigned ratings)				
A	95,517	-	-	95,517
B	67,557	-	-	67,557
C	1,018	578	-	1,596
D	-	8,249	-	8,249
E	-	-	10,797	10,797
Loans to corporate clients	**164,092**	**8,827**	**10,797**	**183,716**
Allowance for impairment	(1,761)	(338)	(9,646)	(11,745)
Loans to corporate clients less allowance for impairment	**162,331**	**8,489**	**1,151**	**171,971**
Loans to individuals (in accordance with the number of overdue days)				
Undue	73,655	-	-	73,655
1-30 days overdue	2,040	-	-	2,040
31-60 days overdue	-	904	-	904
61-90 days overdue	-	573	-	573
Over 90 days overdue	-	-	12,593	12,593
Loans to individuals	**75,695**	**1,477**	**12,593**	**89,765**
Allowance for impairment	(2,757)	(372)	(8,940)	(12,069)
Loans to individuals less allowance for impairment	**72,938**	**1,105**	**3,653**	**77,696**

The analysis of the quality of the credit portfolio as at 31 December 2020 is presented in the following table:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Loans to corporate clients (in accordance with the assigned ratings)				
A	67,505	-	-	67,505
B	118,594	-	-	118,594
C	1,995	12	-	2,007
D	-	201	-	201
E	-	-	3,372	3,372
Loans to corporate clients	**188,094**	**213**	**3,372**	**191,679**
Allowance for impairment	(113)	(18)	(2,230)	(2,361)
Loans to corporate clients less allowance for impairment	**187,981**	**195**	**1,142**	**189,318**

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Loans to individuals (in accordance with the number of overdue days)				
Undue	77,634	-	-	77,634
1-30 days overdue	1,514	-	-	1,514
31-60 days overdue	-	383	-	383
61-90 days overdue	-	240	-	240
Over 90 days overdue	-	-	12,232	12,232
Loans to individuals	**79,148**	**623**	**12,232**	**92,003**
Allowance for impairment	(981)	(151)	(7,485)	(8,617)
Loans to individuals less allowance for impairment	**78,167**	**472**	**4,747**	**83,386**

(b) Movement in carrying amount and allowance for impairment of loans to customers

The movement in carrying amount and related estimated allowance for ECL for loans to legal entities for the year ended 31 December 2021 is presented below:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**188,094**	**213**	**3,372**	**191,679**
Newly created or purchased	76,437	5,818	4,412	86,667
Derecognition as a result of disposal	(68,639)	(185)	(774)	(69,598)
Transfers to Stage 1	2	(2)	-	-
Transfers to Stage 2	(3,010)	3,010	-	-
Transfers to Stage 3	(3,819)	(13)	3,832	-
Effect of other movements in gross carrying amount	(24,973)	(13)	(46)	(25,032)
Gross carrying amount as at 31 December 2021	**164,092**	**8,828**	**10,796**	**183,716**

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
ECL as at I January 2021	**113**	**18**	**2,230**	**2,361**
Newly created or purchased	1,026	125	3,504	4,655
Derecognition as a result of disposal	(25)	(12)	(373)	(410)
Transfers to Stage 2	(213)	213	-	-
Transfers to Stage 3	(3,281)	(11)	3,292	-
The release of the discount	-	-	713	713
Effect of other movements in gross carrying amount	4,141	5	280	4,426
ECL as at 31 December 2021	**1,761**	**338**	**9,646**	**11,745**

The movement in carrying amount and related estimated allowance for ECL for loans to legal entities for the year ended 31 December 2020 is presented below:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**123,115**	**134**	**2,970**	**126,219**
Newly created or purchased	111,023	28	-	111,051
Derecognition as a result of disposal	(72,793)	(135)	(2,284)	(75,212)
Transfers to Stage 2	(184)	184	-	-
Transfers to Stage 3	(283)	(107)	390	-
Effect of other movements in gross carrying amount	27,216	109	2,296	29,621
Gross carrying amount as at 31 December 2020	**188,094**	**213**	**3,372**	**191,679**

	Stage 1	Stage 2	Stage 3	Total
ECL as at I January 2020	**64**	**-**	**2,264**	**2,328**
Newly created or purchased	60	6	-	66
Derecognition as a result of disposal	(30)	-	(1,710)	(1,740)
Transfers to Stage 2	(12)	12	-	-
Transfers to Stage 3	(30)	-	30	-
The release of the discount	-	-	341	341
Effect of other movements in gross carrying amount	61	-	1,305	1,366
ECL as at 31 December 2020	**113**	**18**	**2,230**	**2,361**

The movement in carrying amount and related estimated allowance for ECL for loans to individuals for the year ended 31 December 2021 is presented below:

In thousands of Belarusian rubles	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2021	**79,148**	**623**	**12,232**	**92,003**
Newly created or purchased	37,179	960	5,747	43,886
Derecognition as a result of disposal	(17,972)	(155)	(8,391)	(26,518)
Transfers to Stage 1	351	(97)	(254)	-
Transfers to Stage 2	(499)	507	(8)	-
Transfers to Stage 3	(3,815)	(262)	4,077	-
Effect of other movements in gross carrying amount	(18,697)	(98)	(811)	(19,606)
Gross carrying amount as at 31 December 2021	**75,695**	**1,478**	**12,592**	**89,765**

In thousands of Belarusian rubles	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at I January 2021	**981**	**151**	**7,485**	**8,617**
Newly created or purchased	1,553	227	3,577	5,357
Derecognition as a result of disposal	(183)	(31)	(5,058)	(5,272)
Transfers to Stage 1	19	(5)	(14)	-
Transfers to Stage 2	(140)	143	(3)	-
Transfers to Stage 3	(2,375)	(163)	2,538	-
The release of the discount	-	-	1,102	1,102
Effect of other movements in gross carrying amount	2,902	50	(687)	2,265
ECL as at 31 December 2021	**2,757**	**372**	**8,940**	**12,069**

The movement in carrying amount and related estimated allowance for ECL for loans to individuals for the year ended 31 December 2020 is presented below:

In thousands of Belarusian rubles	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount as at 1 January 2020	**67,224**	**738**	**11,406**	**79,368**
Newly created or purchased	49,248	308	597	50,153
Derecognition as a result of disposal	(18,261)	(104)	(1,796)	(20,161)
Transfers to Stage 1	256	(62)	(194)	-
Transfers to Stage 2	(313)	313	-	-
Transfers to Stage 3	(1,826)	(424)	2,250	-
Effect of other movements in gross carrying amount	(17,180)	(146)	(31)	(17,357)
Gross carrying amount as at 31 December 2020	**79,148**	**623**	**12,232**	**92,003**

In thousands of Belarusian rubles	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at I January 2020	**1,421**	**157**	**6,364**	**7,942**
Newly created or purchased	609	80	291	980
Derecognition as a result of disposal	(319)	(19)	(949)	(1,287)
Transfers to Stage 1	5	(2)	(3)	-
Transfers to Stage 2	(71)	71	-	-
Transfers to Stage 3	(882)	(200)	1,082	-
The release of the discount	-	-	1,529	1,529
Effect of other movements in gross carrying amount	218	64	(829)	(547)
ECL as at 31 December 2020	**981**	**151**	**7,485**	**8,617**

(c) Financial effect of withheld collateral on loans to customers

Collateral for loans allows the Bank to minimize its credit risks. When calculating the sufficiency of collateral for loans to customers, the possible cost of sales of the collateral is determined. For this purpose, the market value of property is determined, taking into account the forecasts of its change until the expected moment of sale. The analysis of customer loans by type of collateral as at 31 December 2021 and 2020 is provided below. The amounts below represent the carrying amount of loans before deduction of allowance for impairment, and not the fair value of collateral.

In thousands of Belarusian rubles	**31 December 2021**	**31 December 2020**
Real estate	80,328	77,862
Insurance of loan default risk	54,562	65,295
Other collaterals	46,504	58,414
Guarantees	137	942
Guarantee deposit	52	310
Not secured	91,898	80,859
Total loans to customers	**273,481**	**283,682**

(d) Analysis of loans to customers by economic sectors

The analysis of loans to customers by economic sectors as at 31 December 2021 and 2020 is as follows:

In thousands of Belarusian rubles	**31 December 2021**	**31 December 2020**
Individuals	89,765	92,003
Trade	56,620	62,937
Operations with real estate	40,776	45,807
Leasing	34,208	25,634
Industry and other material production activities	15,199	18,157
Transport	8,690	8,122
Agriculture and food processing	3,123	3,656
Construction	2,637	7,849
Other	22,463	19,517
Total loans to customers	**273,481**	**283,682**
Allowance for impairment	(23,814)	(10,978)
Total loans to customers less allowance for impairment	**249,667**	**272,704**

(e) Significant credit risk

As at 31 December 2021, the Bank had ten borrowers with the amount of debt exceeding 10% of the Bank's equity. The total amount of loans to these borrowers as at 31 December 2021 amounted to BYN 90,086.
As at 31 December 2020, the Bank had eight borrowers with the amount of debt exceeding 10% of the Bank's equity. The total amount of loans to these borrowers amounted to BYN 72,268.

(f) Maximum credit risk

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

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

The movement of property and equipment, intangible assets and right-of-use assets for the year ended 31 December 2021 is presented below:

In thousands of Belarusian rubles	**Buildings and structures**	**Vehicles**	**Office and computer equipment, other property, plant and equipment**	**Intangible assets**	**Capital expenses and investments into intangible assets**	**Right-of-use assets**	**Total**
Residual value as at 1 January 2021	**12,410**	**108**	**2,025**	**3,100**	**153**	**1,722**	**19,518**
Initial cost							
Balance as at 1 January 2021	13,958	462	4,950	3,924	153	2,334	25,781
Acquisition	-	-	-	-	1,212	1,227	2,439
Modification of right-of-use assets	-	-	-	-	-	120	120
Transfer between groups	29	-	581	714	(1,324)	-	-
Disposal	(159)	-	(168)	-	-	(317)	(644)
Balance as at 31 December 2021	**13,828**	**462**	**5,363**	**4,638**	**41**	**3,364**	**27,696**
Accumulated depreciation							
Balance as at 1 January 2021	1,548	354	2,925	824	-	612	6,263
Accrued for the year	220	32	393	195	-	999	1,839
Accumulated depreciation on disposals	(19)	-	(149)	-	-	(101)	(269)
Balance as at 31 December 2021	**1,749**	**386**	**3,169**	**1,019**	**-**	**1,510**	**7,833**
Residual value as at 31 December 2021	**12,079**	**76**	**2,194**	**3,619**	**41**	**1,854**	**19,863**

The movement of property and equipment, intangible assets and right-of-use assets for the year ended 31 December 2020 is presented below:

In thousands of Belarusian rubles	Buildings and structures	Vehicles	Office and computer equipment, other property, plant and equipment	Intangible assets	Capital expenses and investments into intangible assets	Right-of-use assets	Total
Residual value as at 1 January 2020	**11,959**	**140**	**976**	**1,718**	**625**	**566**	**15,984**
Initial cost							
Balance as at 1 January 2020	13,283	462	3,668	2,370	625	784	21,192
Acquisition	-	-	-	-	3,055	1,728	4,783
Transfer between groups	675	-	1,298	1,554	(3,527)	-	-
Disposal	-	-	(16)	-	-	-	(16)
Balance as at 31 December 2020	**13,958**	**462**	**4,950**	**3,924**	**153**	**2,512**	**25,959**
Accumulated depreciation							
Balance as at 1 January 2020	1,324	322	2,692	652	-	218	5,208
Accrued for the year	224	32	248	172	-	572	1,248
Accumulated depreciation on disposals	-	-	(15)	-	-	-	(15)
Balance as at 31 December 2020	**1,548**	**354**	**2,925**	**824**	**-**	**790**	**6,441**
Residual value as at 31 December 2020	**12,410**	**108**	**2,025**	**3,100**	**153**	**1,722**	**19,518**

As at 31 December 2021, the Bank had fully amortized property, plant and equipment in the amount of BYN 2,461 thousand, intangible assets in the amount of BYN 369 thousand (as at 31 December 2020 – BYN 2,458 thousand and BYN 262 thousand).

13. Assets held for sale

As at 31 December 2021, the assets held for sale include the Bank's property transferred from property, plant and equipment. As at 31 December 2021 the Bank's Management intends to sell the property classified as assets held for sale and plans to complete transactions on the sale of these assets within the next 12 months.

14. Other assets

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Other non-financial assets		
Assets transferred to the Bank as repayment of debt	3,477	171
Advance payments	394	280
Prepayments on capital investments	268	42
Prepayments on taxes (except income tax)	165	314
Other	43	54
Total other non-financial assets	**4,347**	**861**
Other financial assets		
Settlements with customers	1,129	2,632
Accrued commission income and penalties	52	26
Other receivables	96	95
Total other financial assets	**1,277**	**2,753**
Allowance for impairment	(78)	(16)
Total other financial assets less allowance for impairment	**1,199**	**2,737**
Total other assets	**5,546**	**3,598**

The tables below provide an analysis of changes in the gross carrying amount of other financial assets and related estimated allowances for ECL in 2021:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2021	**-**	**2,721**	**32**	**2,753**
Newly created or purchased	-	100	22	122
Derecognition as a result of disposal	-	(979)	(6)	(985)
Effect of other movements in gross carrying amount	-	(613)	-	(613)
Gross carrying amount as at 31 December 2021	**-**	**1,229**	**48**	**1,277**

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2021	**-**	**3**	**13**	**16**
Newly created or purchased	-	1	15	16
Derecognition as a result of disposal	-	-	(2)	(2)
Transfers to Stage 3	-	(1)	1	-
Effect of other movements	-	43	5	48
ECL as at 31 December 2021	**-**	**46**	**32**	**78**

The tables below provide an analysis of changes in the gross carrying amount of other financial assets and related estimated allowances for ECL in 2020:

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount as at 1 January 2020	**-**	**4,408**	**613**	**5,021**
Newly created or purchased	-	288	7	295
Derecognition as a result of disposal	-	(658)	(352)	(1,010)
Effect of other movements in gross carrying amount	-	(1,317)	(236)	(1,553)
Gross carrying amount as at 31 December 2020	**-**	**2,721**	**32**	**2,753**

In thousands of Belarusian rubles	Stage 1	Stage 2	Stage 3	Total
ECL as at 1 January 2020	**-**	**27**	**186**	**213**
Newly created or purchased	-	3	3	6
Derecognition as a result of disposal	-	(12)	(104)	(116)
Effect of other movements	-	(15)	(72)	(87)
ECL as at 31 December 2020	**-**	**3**	**13**	**16**

15. Due to other banks

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Loans and deposits of other banks	970	15,954
Correspondent accounts of other banks	2	3
Other accounts of other banks	562	-
Total amounts due to other banks	**1,534**	**15,957**

Other accounts of other banks as at 31 December 2021 are represented by a guarantee deposit received to secure the fulfilment of obligations.

As at 31 December 2021 the Bank does not have balances of counterparty banks representing a significant concentration. As at 31 December 2020 the Bank has balances of one counterparty bank representing a significant concentration. The total amount of these funds as at 31 December 2020 was BYN 6,970 thousand.

16. Due to customers

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Legal entities		
Term deposits	195,457	162,106
Current accounts	42,544	69,325
Total due to legal entities	**238,001**	**231,431**
Individuals		
Term deposits	102,957	77,782
Current/on-demand accounts	12,282	9,924
Total due to individuals	**115,239**	**87,706**
Total due to customers	**353,240**	**319,137**

The structure of amounts due to customers by economic sectors is presented below:

In thousands of Belarusian rubles	**31 December 2021**	**31 December 2020**
Individuals	115,239	87,706
Industry and other material production activities	71,227	81,824
Trade	57,473	55,964
Construction	18,493	16,005
Real estate	17,090	17,603
Financial service	10,927	10,851
Vehicles	9,547	3,595
Data-processing and technology services	8,988	1,285
Non-profit organizations	6,875	808
Agriculture and food industry	4,592	1,439
Education and scientific activities	4,404	3,766
Publishing activities	3,094	363
Communications and telecommunications	2,822	4,813
Healthcare and physical education	1,483	1,093
Other	20,986	32,022
Total due to customers	**353,240**	**319,137**

As at 31 December 2021 and 2020 the Bank had balances of five and seven customers correspondingly exceeding 10% of the Bank's equity. The total amount of these funds as at 31 December 2021 and 2020 was BYN 68,302 and BYN 113,231 thousand, respectively.

17. Debt securities issued

As at 31 December 2021 and 2020 the issued debt securities are represented by bonds the holders of which are legal entities and are distributed as follows:

Issue No.	**Maturity**	**Issue currency**	**Interest rate**	**31 December 2021**	**31 December 2020**
9	11.11.2024	BYN	10.5%	3,578	-
7	15.11.2021	BYN	11.5%	-	9,587
6	06.08.2021	BYN	11.5%	-	4,023

18. Other liabilities

In thousands of Belarusian rubles	**31 December 2021**	**31 December 2020**
Other non-financial liabilities		
Deferred income	413	178
Deductions to the Guarantee Fund for the Protection of Individuals Funds	171	132
Tax accruals, other than income tax	72	90
Total other non-financial liabilities	**656**	**400**
Other financial liabilities		
Lease obligation	1,795	1,703
Allowance for credit related commitments	335	100
Payables to suppliers	253	169
Provision for unpaid vacations and other staff remuneration liabilities	244	234
Other	399	756
Total other financial liabilities	**3,026**	**2,962**
Total other liabilities	**3,682**	**3,362**

The movement of the allowance for credit related commitments is presented in Note 29.

19. Subordinated loans

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Subordinated loan from Speedster-M LLC	12,992	13,111
Subordinated loan from Dikris LLC	7,673	7,765
Total subordinated loans	**20,665**	**20,876**

In 2015, the Bank was granted a subordinated loan from Dikris LLC in the amount of USD 3,000 thousand at a USD LIBOR floating rate for 12 months plus 6 percentage points.

In January 2017, the EBRD ceded the rights of claim under the subordinated loan agreement to the resident Speedster-M LLC. The amount of the subordinated loan is USD 4,009 thousand, a floating interest rate is set based on the LIBOR rate for 12 months plus 6 percentage points.

In 2019, the Bank was granted two subordinated loans from Speedster-M LLC in the amount of BYN 2,700 thousand at the refinancing rate of the National Bank.

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

20. Preference shares

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Number of preference shares	6,886,084	6,886,084
Nominal value of 1 share, BYN	0,160	0,160
Nominal value of preference shares	1,102	1,102
Accrued dividends on preference shares	694	449
Total preference shares	**1,796**	**1,551**

Preference shares entitle to participate in net assets. The annual minimum fixed dividend on preference shares is equivalent to USD 0.01394 per preference share.

The annual General Meeting of Shareholders of the Bank in 2022 and 2021 decided not to pay dividends on preference shares according to the results of 2021 and 2020.

21. Share capital

Share capital as at 31 December 2021 and 2020 was presented as follows:

In thousands of Belarusian rubles	31 December 2021	31 December 2020
Number of ordinary (common) shares	120,791,295	120,791,295
Nominal value of 1 share, BYN	0,160	0,160
Nominal value of ordinary (common) shares	19,326	19,326
Inflation effect	27,648	27,648
Total share capital	**46,974**	**46,974**

All common (ordinary) shares (hereinafter — shares) are fully paid, each share gives the right to one vote, as well as the right to receive dividends and participate in net assets. All shares have equal rights with respect to net assets.

In 2021 and 2020 the Bank did not issue new shares. The nominal value of the share for 2021 and 2020 is BYN 0.160 (zero Belarusian rubles 16 kopecks).

Basic profit/(loss) per share are calculated by dividing the profit/(loss) owned by shareholders holding ordinary shares of the Bank by the average weighted number of ordinary shares in circulation. The Bank did not determine diluted earnings per share, as the Bank does not have financial instruments with potential diluting effect.

	2021	2020
Profit/(loss) for the period owned by shareholders, BYN	(8,287,000)	2,498,000
Average weighted number of ordinary shares in circulation, pieces	120,791,295	120,791,295
Basic profit/(loss) per ordinary share, BYN	**(0,06861)**	**0,02068**

22. Interest income and expenses

In thousands of Belarusian rubles	2021	2020
Interest income		
Loans to customers	31,470	24,361
Securities measured at fair value through profit or loss	1,528	1,193
Due from other banks	272	129
Securities measured at amortised cost	-	200
Funds in the National Bank of the Republic of Belarus	-	83
Other	377	911
Total interest income	**33,647**	**26,877**
Interest expenses		
Due to customers	(23,345)	(12,622)
Subordinated loans	(1,203)	(1,245)
Due to other banks	(709)	(977)
Debt securities issued	(616)	(1,708)
Preference shares	(245)	(247)
Lease liabilities	(30)	(27)
Funds of the National Bank of the Republic of Belarus	-	(579)
Other	(121)	(383)
Total interest expenses	**(26,269)**	**(17,788)**
Net interest income	**7,378**	**9,089**

23. Fee and commission income and expenses

In thousands of Belarusian rubles	2021	2020
Fee and commission income		
Settlement and cash operations commissions	6,386	5,768
Other	573	347
Total fee and commission income	**6,959**	**6,115**
Fee and commission expenses		
Commission on settlement operations and operations with bank cards	(2,400)	(1,511)
Commissions on foreign currency transactions	(72)	(91)
Other	(91)	(99)
Total fee and commission expenses	**(2,563)**	**(1,701)**
Net fee and commission income	**4,396**	**4,414**

24. Net income from transactions with derivative financial instruments

In thousands of Belarusian rubles	**2021**	**2020**
Income from swap transactions with other banks	25	312
Total net income from transactions with derivative financial instruments	**25**	**312**

25. Net income from foreign exchange operations and securities

Net income from foreign exchange operations

In thousands of Belarusian rubles	**2021**	**2020**
Net income from foreign exchange operations	12,554	16,985
Net expenses from revaluation of assets and liabilities	(3,681)	(10,121)
Net income from foreign exchange operations	**8,873**	**6,864**

In 2021, the exchange rate of BYN increased by 1.2% against USD, by 9.0% against EUR, by 1.6% against the RUB.

Net expenses from securities transactions

In thousands of Belarusian rubles	**2021**	**2020**
Income from securities transactions	7	845
Expenses on securities transactions	(281)	(1,071)
Net (expenses) / income from securities transactions	**(274)**	**(226)**

26. Other income

In thousands of Belarusian rubles	**2021**	**2020**
Income from assignment of claim operations	6,609	-
Fines, penalties received	871	856
Proceeds from previously written-off credit debt	357	201
Reimbursed court expenses	85	62
Income/(expenses) from the sale of property	(25)	9
Operating lease income	-	5
Other	800	251
Total other income	**8,697**	**1,384**

During the year ended 31 December 2021, in order to manage the risks and profitability of retail business operations, the Bank sold a portfolio of loans granted to individuals by assignment of monetary claim rights. Net income generated as a result of this operation amounted to BYN 6,609 thousand.

27. Operating expenses

In thousands of Belarusian rubles	**2021**	**2020**
Personnel expenses	(7,444)	(6,188)
Contributions to the Social Protection Fund	(2,573)	(2,125)
Communication and information services	(1,928)	(1,140)
Software expenses	(1,427)	(1,153)
Depreciation of right-of use assets	(999)	(572)
Depreciation and amortization	(840)	(681)
Repair and maintenance	(685)	(623)
Deductions to the Guarantee Fund for the Protection of Funds of Individuals	(633)	(452)
Advertising and marketing	(627)	(566)
Professional services (consulting, auditing, legal, other)	(570)	(458)
Expenses on delivery and collection	(554)	(302)
Office expenses	(501)	(541)
Management costs	(429)	(384)
Taxes other than income tax	(407)	(317)
Security	(331)	(211)
Sponsorship	(180)	(139)
Other	(1,307)	(976)
Total operating expenses	**(21,435)**	**(16,828)**

28. Income tax

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

The income tax rate for Belarusian banks for the years ended 31 December 2021 and 2020 was 25%. The deferred tax liability (deferred tax asset) is calculated using the rate expected to be in effect during the period of repayment of the deferred tax liability (sale of the deferred tax asset) — 25%.

Income tax expenses are presented as follows:

In thousands of Belarusian rubles	**2021**	**2020**
Current income tax expense	-	-
Deferred income tax benefits/(expenses)	1,903	(815)
Income tax benefits/(expenses)	**1,903**	**(815)**

Deferred tax reflects the net tax effect of temporary differences between the value of assets and liabilities recognized for the purposes of the financial statements and the amounts determined for tax purposes.

For each type of temporary differences, the amounts of deferred tax assets and liabilities recognized in the statement of financial position, as well as the amounts of income or expenses under deferred tax recognized as profit or loss or as other comprehensive income are presented below:

In thousands of Belarusian rubles	**31 December 2019**	**Recognized as profit or loss in 2020**	**31 December 2020**	**Recognized as profit or loss in 2021**	**31 December 2021**
Deductible temporary differences:					
Due from banks	30	82	112	169	281
Securities measured at amortized cost	8	(8)	-	-	-
Property and equipment and intangible assets	1,013	388	1,401	306	1,707
Other assets and liabilities	462	(461)	1	317	318
Deferred tax asset	**1,513**	**1**	**1,514**	**792**	**2,306**
Offset against the amount of deferred tax liability	(1,513)		(1,514)		(1,057)
Not recognized deferred tax asset	-		-		(1,249)
Total deferred tax asset	**-**		**-**		**-**
Taxable temporary differences:					
Loans to banks and customers	(2,601)	(797)	(3,398)	2,341	(1,057)
Other assets and liabilities	-	(19)	(19)	19	-
Deferred tax liability	**(2,601)**	**(816)**	**(3,417)**	**2,360**	**(1,057)**
Offset against the amount of deferred tax asset	1,513		1,514		1,057
Total deferred tax liability	**(1,088)**		**(1,903)**		**-**
Total net deferred tax liability	**(1,088)**		**(1,903)**		**-**

Below is a comparison of the theoretical income tax expenses with the actual tax expenses for the years ended 31 December 2021 and 2020:

In thousands of Belarusian rubles	**2021**	**2020**
Profit / (loss) before tax	(10,190)	3,313
Income tax at the statutory rate	**(2,548)**	**828**
Tax effect of permanent differences:		
Tax benefits	(223)	(185)
Tax effect of expenses not involved in taxation	75	172
Effect of loss of tax base of assets and liabilities	(456)	-
Change in not recognized deferred tax asset	1,249	-
Income tax expense	**(1,903)**	**815**

The Bank did not recognize deferred tax asset in the amount of BYN 1,249 thousand as at 31 December 2021 due to the legally established possibility of applying tax benefits for income from securities transactions and, accordingly, the low probability of receiving taxable profit in future periods, which can be offset against existing deferred tax assets.

29. Contingent liabilities

Tax legislation. Tax and other legislation of the Republic of Belarus, effective or factually entered into force at the end of the reporting period, allows for different interpretations in regard to transactions and activities of the Bank. In this regard, the interpretation of tax legislation used by the Management of the Bank and the official documentation justifying tax positions can be successfully challenged by the relevant authorities. Tax periods remain open for inspection by the relevant tax authorities for payment of taxes for an indefinite period.

Management currently believes that as at 31 December 2021 and 2020 all the necessary tax charges have been made, and that the tax positions and interpretations of the Bank may be confirmed but there is a risk that an outflow of resources in the form of payment would be required if these tax positions and interpretations of legislation were challenged by the relevant authorities. The impact of any such contentious situations cannot be assessed with sufficient reliability, but it may be material for the financial position and/or operations of the Bank as a whole.

Credit-related commitments. In the course of its operations, the Bank uses financial instruments with off-balance risks to meet the needs of its customers. These instruments, which carry credit risks of varying degrees, are not reflected in the statement of financial position. The maximum risk of the Bank on conditional financial liabilities and loan liabilities in case of non-performance by the second party under the transaction of its obligations and impairment of all counterclaims and collateral is equivalent to the contractual value of these instruments.

The Bank's credit-related commitments are presented as follows:

In thousands of Belarusian rubles	**31 December 2021**	**31 December 2020**
Guarantees issued	13,860	13,720
Unused credit lines	11,852	7,454
Secured letter of credits	-	92
Total credit related commitments	**25,712**	**21,266**
Allowance for credit related commitments	(335)	(100)
Total credit related commitments less allowance	**25,377**	**21,166**

The movement of the allowance for contingent liabilities for the years ended 31 December 2021 and 2020 is presented as follows:

In thousands of Belarusian rubles	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2021	**100**	-	-	**100**
Newly created or purchased	276	-	-	276
Derecognition as a result of disposal	(98)	-	-	(98)
Effect of other movements in growth carrying amount	57	-	-	57
ECL as at 31 December 2021	**335**	-	-	**335**

In thousands of Belarusian rubles	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
ECL as at 1 January 2020	**39**	-	-	**39**
Newly created or purchased	92	-	-	92
Derecognition as a result of disposal	(29)	-	-	(29)
Effect of other movements in growth carrying amount	(2)	-	-	(2)
ECL as at 31 December 2020	**100**	-	-	**100**

30. Capital management

The Bank manages the capital to comply with the requirements of the legislation, to maintain the level necessary to achieve an 8% capital adequacy ratio in accordance with the Basel Accord, going concern, while setting the task of ensuring profit to shareholders by optimizing the ratio of liabilities and capital of the Bank.

The requirement of the National Bank of the Republic of Belarus for the minimum amount of regulatory capital calculated on the basis of accounting records prepared in accordance with the Belarusian legislation for banks is to maintain the amount of regulatory capital at a statutory set level. The regulatory value of regulatory capital as at 1 January 2022 was BYN 66,66 million. The actual value of the Bank's regulatory capital as at 1 January 2022 in accordance with the Belarusian legislation amounted to BYN 68,71 million.

The Bank reviews the capital structure on a monthly basis. As a part of this review, the capital adequacy ratio is determined by comparing the regulatory level of capital with quantitatively expressed risks (risk assets). The Management of the Bank assesses the amount of capital necessary to achieve the strategic goals of the bank and allows to ensure in the planned future the necessary asset growth, as well as the optimal ratio of profitability and capital adequacy taking into account the requirements of shareholders, partners of the Bank and the banking supervision and regulation bodies. The Bank's Management analyses the average weighted cost of capital, as well as the risks associated with each asset class, and regulates the structure of the Bank's capital by raising additional liabilities and repaying existing ones.

As at 31 December 2021 and 2020, a reserve fund in the amount of BYN 8,990 thousand and BYN 8,758 thousand respectively was recorded in the capital according to the national accounting rules. The reserve fund is the funds reserved in accordance with the legislation of the Republic of Belarus to cover losses on the Bank's operations and is not subject to distribution among shareholders.

Under the current capital requirements set by the National Bank, banks have to maintain a ratio of regulatory capital to risk-weighted assets ("regulatory capital adequacy ratio") above a prescribed minimum level (12.5%). As at 1 January 2022, the actual value of the regulatory capital adequacy ratio was 21.52%.

The table below presents the analysis of the sources of the Bank's regulatory capital in order to determine the capital adequacy in accordance with the Basel Accord:

In thousands of Belarusian rubles	**31 December 2021**	**31 December 2020**
Level 1 Capital		
Share capital	46,974	46,974
Accumulated profit / (loss)	(3,891)	4,396
Intangible assets	(3,655)	(3,162)
Total Level 1 Capital	**39,428**	**48,208**
Level 2 Capital		
Subordinated loans	18,663	20,351
Preference shares	1,796	1,551
Total Level 2 Capital	**20,459**	**21,902**
Total capital	**59,887**	**70,110**
Total amount of risk-weighted assets	350,687	369,891
Capital adequacy ratio (%)	**17.1**	**19.0**

In calculating capital adequacy as at 31 December 2021 and 2020, the Bank included in the capital calculation the received subordinated loan with an initial maturity of more than five years (Note 19). In the last five years remaining until maturity, the subordinated loan is recognized in equity at the value reflected in the statement of financial position minus 20% for each full year ended. In case of bankruptcy or liquidation of the Bank, the subordinated loan is repaid after fulfilment of the Bank's obligations to all other creditors.

Also, as at 31 December 2021 and 2020, the Bank included in the capital calculation preference shares (Note 20) that have no fixed maturity with a fixed dividend amount. Failure of the Bank to pay dividends on preference shares does not entail bankruptcy or liquidation of the Bank. In calculating capital adequacy, the Bank excluded the value of intangible assets from Level 1 capital (Note 12) as required by the Basel Accord.

31. Risk management

The Bank has established an effective risk management system in accordance with international requirements and standards, including management of the risk inherent in banking activities, taking into account the materiality factor — a criterion that characterizes the degree of influence of a certain type of banking risk on the financial stability of the Bank.

The Bank recognizes the following types of risks as definitively significant risks: credit risk, liquidity risk, interest risk rate of the bank portfolio, currency risk, commodity risk, operational risk, strategic risk, reputational risk. Other types of banking risks (market risks: stock risk and interest rate risk of the trading portfolio; country risk) are recognized by the Bank as significant when they reach certain parameters as a result of the Bank's activities in one or another period of their development, or they may be recognized as such on the basis of reasoned judgment. The risk of concentration is considered by the Bank as part of the definitively significant risks of the Bank.

The Bank assesses risks at the stage of preliminary, current and subsequent control, as well as identifies management bodies, structural units and officials responsible for risk management.

Systems of management of banking risk types that the Bank has recognized as material for itself, including definitions, goals, objectives, stages, procedures, management participants, as well as approaches to stress testing, are regulated by separate local legal acts. The main documents regulating the system and approaches to risk management in the Bank are the Bank Risk Management Strategy and the General Risk Policy.

The General Risk Policy includes the following strategic risk management objectives:

- identification of the main types of risks of the Bank and confirmation that the current areas of banking business and its further plans for the development of new types of business correspond to the preparedness of the Bank to these risks;
- optimization of risks that are directly related to the activities of the Bank, as well as organization of an effective and independent internal control system;
- development of an effective risk management structure for the further successful development of the Bank.

In order to effectively manage bank risks, the Bank has developed a system of powers that allow for the allocation of responsibility for each significant type of risk among the management bodies, divisions and employees of the Bank. Regardless of the type of banking risk, the system of powers necessarily includes the Board of Directors of the Bank, the Risk Committee, the Management Board of the Bank, the Officer responsible for risk management, Credit and Finance Committees, Risk Management, including risk managers, Internal Audit Service, Internal Control Service, Structural divisions of the Bank.

The Board of Directors ensures the organization of the banking risk management system, monitors its adequate functioning and overall level of risks, approves the General Risk Policy.

The Risk Committee, established by the Board of Directors, monitors and controls the implementation of the Risk Management Strategy; assesses the effectiveness of the risk management system; controls timeliness and quality of risk reporting, as well as the completeness and adequacy of measures taken by the Management Board of the Bank to minimize risks.

The Management Board of the Bank ensures the functioning of the risk management system in order to meet the goals and objectives set by the Board of Directors in the field of risk management; approves the General Risk Policy, local regulatory legal acts regulating methods and procedures of managing certain types of risks, as well as the procedure of decision-making, interaction of divisions, distribution and delegation of powers in the process of risk management; ensuring their effective application in practice; making management decisions aimed at limiting the risk propensity of units generating risks, maintaining the risk profile of the bank, adequate to the nature and scope of the activities carried out.

The Officer responsible for risk management coordinates the actions of all participants in the risk management process, ensures information exchange between them in order to adopt the necessary management decisions; regularly reports to the Board on the extent of certain bank risks, compliance with risk propensity for risk generating units, compliance with established risk tolerance and maintaining the Bank's risk profile; regular (at least once a year) reports to the Risk Committee on the functioning of the risk management system and the degree of individual bank risks; ensures disclosure of information about the organization of the risk management system in accordance with the procedures adopted in the Bank.

The Finance Committee and the Credit Committee conduct monitoring and analysis of the risk level.

The Risk Management is responsible for the organization of an effective risk management system, monitoring the timely identification, measurement, monitoring, control and limiting of the level of bank risks. This unit monitors compliance with procedures for managing each of the type of risks. In order to control and manage critical situations that may have undesirable consequences for the Bank, the risk manager of the Bank carries out stress testing and assessment of the impact of changes in external and internal factors of corresponding risk on the stability of the Bank's functioning.

The Internal Audit Service is responsible for conducting regular audit of certain elements of the risk management system and assessing the effectiveness of risk management, as well as control compliance of actions and operations carried out by the management and employees of the Bank, with the requirements of the current legislation. The results of the audits and the assessment of effectiveness are reported-to the Board of Directors.

The Internal Control Service verifies compliance by authorized bodies and employees of the Bank with the procedure for controlling each type of risk, as well as compliance with local regulatory legal acts of the Bank containing the strategy, policy, methods and procedures of risk management.

Structural divisions of the Bank carry out the current management of bank risks within the limits of their powers.

Credit risk. The Bank assumes credit risk which is the risk that the Bank will incur a loss because its counterparty fails to discharge its contractual financial liabilities to the Bank or discharged them in an untimely fashion or not in full. The purpose of credit risk management is to ensure maximum safety of assets on the basis of reduction of possible losses, which is achieved on the basis of a systematic, integrated approach by implementing the following tasks:

- separation of powers and responsibilities between management bodies, committees, officials and divisions of the Bank in the sphere of credit risk management;
- organization of a system of crediting of customers of the Bank that is adequate and in the interests of the Bank; system of setting limits on credit related operations, counterparty banks;
- organization of a system of fair assessment of collateral on credit related operations;
- organization of independent primary and secondary examination of credit projects and counterparty banks limit projects;
- organization of effective claim-related work and work with overdue debts;
- implementation of qualitative and timely analysis of the status and dynamics of the loan portfolio, safe functioning standards characterizing the level of credit risk, including sectoral analysis and analysis of the concentration of the loan portfolio, setting limits on sectors with a high level of credit risk;
- organization of stress testing system;
- creation of a system of regular and timely informing of management bodies and committees of the Bank about efficiency of credit risk management system;
- creation of a system of rapid and adequate response, aimed at preventing the credit risk getting critical for the Bank (risk minimization).

Identification and assessment of the level of credit risk is realized through the primary and secondary examination of credit projects (draft limits on the counterparty bank), which is achieved by the resolution of the conflict of interest in the decision-making process.

The primary examination (analysis (assessment) of the financial condition of the counterparty bank and development of a limit for carrying out active operations with the counterparty bank) is carried out by the economic service on the basis of the assessment of the financial condition of the counterparty bank and the ability to timely and in full return the funds transferred to it. Based on the analysis, a draft limit for active operations with a counterparty bank is being developed. When performing active credit related operations with customers, the primary examination is carried out by the credit worker at the stage of preparation for consideration by the Credit Committee of the loan project and collateral provided by the borrower.

Secondary examination is carried out by the risk manager during the period of development of the limit on the counterparty bank and subsequent monitoring. When performing active credit related operations with customers, the secondary examination is carried out by the risk manager during the consideration of the loan project and during the monitoring of the lender, financed transaction and collateral provided by the borrower.

Determination of the acceptable level of credit risk is carried out jointly by the Credit and Finance Committees of the Bank in accordance with the functions assigned to them.

To prevent the level of credit risk from increasing, the Bank regularly monitors credit risk by individual borrower, as well as each contract and for the Bank's loan portfolio as a whole by monthly studying the system of indicators. The Bank controls credit risk by setting limits on one borrower or a group of related borrowers and their products.

In order to forecast changes in the level of credit risk, the Bank carries out regular stress testing, the essence of which is to assess the consequences of active impact on the Bank's activities of external and internal credit risk factors. The Bank simulates the default situation for all or most of the lenders of homogeneous groups, taking into account industry, ownership and other homogeneous characteristics, develops scenarios of the impact of default (credit events) on the change in the level of credit risk, forecasts change in portfolio quality and safe functioning indicators of the Bank, which characterize the level of credit risk. The results of stress testing are provided to the Finance Committee of the Bank for appropriate management decisions to minimize credit risk.

Credit risk is managed by the relevant structural units through regular analysis of the ability of existing and potential borrowers to repay interest payments and the amount of the principal debt, as well as by obtaining collateral and guarantees of companies and individuals. The Bank carries out loan analysis by maturities and the subsequent control of overdue balances. In this regard, the management is provided with the data on the terms of debt as presented in Note 11.

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

- provision of loans and borrowings to customers and placing deposits in other organizations, investing in financial instruments held to maturity. In these cases, the maximum credit risk is equal to the value of the relevant financial assets, as recorded in the statement of financial position (Notes 9, 11);
- conclusion of contracts for derivative financial instruments, such as foreign exchange transactions. The maximum credit risk at the end of the reporting period will be equal to the value as recorded in the statement of financial position (Note 8);
- provision of financial guarantees. In this case, the maximum credit risk is equal to the maximum amount that the Bank can pay if the guarantee is executed (Note 29);
- provision of a credit related commitment that is not subject to cancellation during the term of the validity or is cancelled only as a result of a material adverse change. If the issuer is unable to fulfil the loan liabilities using cash or other financial instruments, the maximum credit risk is equal to the full amount of the liability recorded in Note 29.

Credit risk for financial instruments that are not recognized in the statement of financial position is defined as the probability of loss due to the inability of another participant in a transaction with this financial instrument to fulfil the terms of the contract. Regarding the credit risk of the loan liabilities, the Bank is potentially subject to losses in an amount equal to the total amount of unused liabilities. However, the estimated amount of losses is less than the total amount of unused liabilities, since most loan liabilities depend on customers who support certain loan standards. The Bank applies the same credit policy with respect to contingent liabilities as it does with financial instruments recognized in the statement of financial position, based on the procedures for approving transactions, using risk limits, and monitoring. The Bank controls the maturity of contingent liabilities that are not recognized in the statement of financial position, since the longer the maturity of contingent liabilities is, the higher the credit risk is.

In order to minimize credit risk, the Bank uses methods of diversification of the loan portfolio by sectors of the economy, by types of collateral, by credit products, by forms of cash disbursement, by types of transactions, currencies and maturity dates.

In 2021, the COVID-19 pandemic remained one of the factors influencing the country's economy due to the rapid spread of the virus, the emergence of new strains, and the inability to assess the timing of its completion. Given the continuing high degree of uncertainty, it is not possible to reliably assess the further impact of COVID-19 on the amount of expected credit losses. The Bank continues to assess the impact of the COVID-19 pandemic on the estimated estimates of expected credit losses, taking into account new information. At the same time, the beginning of economic recovery of the Republic of Belarus was limited by the growth of sanctions pressure from individual countries.

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

The geographical analysis of the financial assets and liabilities of the Bank as at 31 December 2021 is presented below:

In thousands of Belarusian rubles	**Belarus**	**OECD countries**	**Other countries**	**Total**
Assets				
Cash and cash equivalents	95,822	10,798	2,720	109,340
Mandatory allowances in the National Bank of the Republic of Belarus	4,024	-	-	4,024
Due from other banks	1,063	-	-	1,063
Loans to customers	249,667	-	-	249,667
Securities measured at fair value through profit or loss	37,602	-	-	37,602
Other financial assets	1,199	-	-	1,199
Total financial assets	**389,377**	**10,798**	**2,720**	**402,895**
Liabilities				
Due to other banks	1,534	-	-	1,534
Due to customers	337,883	5,634	9,723	353,240
Debt securities issued	3,578	-	-	3,578
Other financial liabilities	3,026	-	-	3,026
Subordinated loans	20,665	-	-	20,665
Preference shares	1,796	-	-	1,796
Total financial liabilities	**368,482**	**5,634**	**9,723**	**383,839**
Net balance sheet position	**20,895**	**5,164**	**(7,003)**	

The geographical analysis of the financial assets and liabilities of the Bank as at 31 December 2020 is presented below:

In thousands of Belarusian rubles	**Belarus**	**OECD countries**	**Other countries**	**Total**
Assets				
Cash and cash equivalents	83,121	2,404	2,378	87,903
Mandatory allowances in the National Bank of the Republic of Belarus	3,616	-	-	3,616
Due from other banks	675	-	-	675
Loans to customers	272,704	-	-	272,704
Securities measured at fair value through profit or loss	39,338	-	-	39,338
Other financial assets	2,737	-	-	2,737
Total financial assets	**402,191**	**2,404**	**2,378**	**406,973**
Liabilities				
Due to other banks	15,957	-	-	15,957
Due to customers	286,743	23,616	8,778	319,137
Debt securities issued	13,610	-	-	13,610
Other financial liabilities	2,962	-	-	2,962
Subordinated loans	20,876	-	-	20,876
Preference shares	1,551	-	-	1,551
Total financial liabilities	**341,699**	**23,616**	**8,778**	**374,093**
Net balance sheet position	**60,492**	**(21,212)**	**(6,400)**	

Liquidity risk. Liquidity risk is the risk of difficulties in meeting financial obligations related to the payment of cash or provision of financial assets. The purpose of liquidity risk management is to achieve an optimal (acceptable) balance of financial assets and financial liabilities, which is ensured by implementing the following tasks:

- separation of powers and responsibilities between authorized and executive bodies, committees, officials and divisions of the Bank in the sphere of liquidity risk management;
- organization of a system of management of financial assets and financial liabilities that is adequate and in the interests of the Bank;
- organization of qualitative and timely monitoring and analysis of the current state of liquidity, standards of safe functioning, characterizing the level of liquidity risk, structure and dynamics of resource base and financial investments, liquidity gaps;
- organization of the Bank's cash flow forecasting system in the short term;
- assessment of the level of liquidity risk and the quality of liquidity risk management;
- organization of stress testing and early warning system to identify the causes and factors influencing changes in liquidity risk, and modelling the behaviour of liquidity indicators in perspective;
- creation of a system of rapid and adequate response aimed at minimization of liquidity risk, development of plans of actions of the Bank in unforeseen situations connected with increase of liquidity risk.

The Bank maintains stable financing base, which comprises mainly amounts due to other banks, current accounts and deposits of legal entities and individuals, long-term and subordinated loans, and invests funds in diversified portfolio of liquid assets in order to have a possibility without delays meet unforeseen liquidity requirements.

The Bank calculates liquidity ratios on a monthly basis in accordance with the requirements of the National Bank:

- *Liquidity coverage ratio,* which is calculated as the ratio of the amount of highly liquid assets to the net expected cash outflow within the next 30 days (minimum allowable ratio value is 90%). As at 31 December 2021, this ratio amounted to 171.8% (as at 31 December 2020 — 116.1%);
- *The net stable funding ratio*, which is calculated as the ratio of available and required stable funding (the minimum allowable ratio value is 100%). As at 31 December 2021, this ratio amounted to 140.6% (at 31 December 2020 - 125.1%).

The tables below show an analysis representing the remaining maturity of financial liabilities calculated for undiscounted cash flows on financial liabilities (the principal debt and interest) based on the contractual terms as at the reporting date, as well as inflows and outflows of funds on derivative financial instruments.

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

In thousands of Belarusian rubles	On demand and less than 1 month	1-3 months	3-6 months	6 months – 1 year	1 year – 5 years	More than 5 years	Unlimited	Total
Non-derivative financial liabilities								
Due to other banks	18	998	565	-	-	-	-	1,581
Due to customers	120,519	124,550	42,212	39,321	37,033	4,912	-	368,547
Other financial liabilities	1,310	154	205	333	1,077	-	-	3,079
Debt securities issued	-	-	-	370	4,218	-	-	4,588
Subordinated loans	110	209	322	651	14,767	11,240	-	27,299
Preference shares	-	-	-	245	-	-	1,102	1,347
Credit-related commitments	5,893	5,333	9,607	1,565	1,429	1,549	-	25,376
Total potential future payments on non-derivative financial liabilities	**127,850**	**131,244**	**52,911**	**42,485**	**58,524**	**17,701**	**1,102**	**431,817**
Derivative financial instruments to be calculated on a gross basis								
Outflow	-	-	-	-	-	-	-	-
Inflow	-	-	-	-	-	-	-	-
Total potential future payments on financial liabilities	**127,850**	**131,244**	**52,911**	**42,485**	**58,524**	**17,701**	**1,102**	**431,817**

The table below shows the analysis of financial liabilities due to their maturities as at 31 December 2020:

In thousands of Belarusian rubles	On demand and less than 1 month	1-3 months	3-6 months	6 months – 1 year	1 year – 5 years	More than 5 years	Unlimited	Total
Non-derivative financial liabilities								
Due to other banks	11,535	4,495	-	-	-	-	-	16,030
Due to customers	98,676	41,493	61,851	99,752	29,123	2,629	-	333,524
Other financial liabilities	1,326	133	187	360	971	-	-	2,977
Debt securities issued	-	222	539	14,063	-	-	-	14,824
Subordinated loans	103	197	304	614	7,324	19,887	-	28,429
Preference shares	-	-	-	248	-	-	1,102	1,350
Credit-related commitments	7,283	1,485	980	4,142	7,184	-	-	21,074
Total potential future payments on non-derivative financial liabilities	**118,923**	**48,025**	**63,861**	**119,179**	**44,602**	**22,516**	**1,102**	**418,208**
Derivative financial instruments to be calculated on a gross basis								
Outflow	-	-	-	-	-	-	-	-
Inflow	-	-	-	-	-	-	-	-
Total potential future payments on financial liabilities	**118,923**	**48,025**	**63,861**	**119,179**	**44,602**	**22,516**	**1,102**	**418,208**

Preference shares are financial liabilities that are not limited by maturity. The maximum period that the Bank accepts for calculation of undiscounted cash flows on payment of annual mandatory dividends on them is 5 years.

The tables above include payments in respect of derivative financial instruments, which are calculated on a gross basis, as these calculations will be accompanied by corresponding inflows and outflows of cash.

Amounts due to customers are recorded in this analysis by terms remaining to maturity. However, in accordance with the Banking Code of the Republic of Belarus, individuals have the right to withdraw funds from their accounts prior to maturity.

The Bank does not use the above analysis of financial liabilities by maturity not taking into account discounting on an ongoing basis. Instead, the Bank monitors contractual maturities and expected liquidity gap based on the analysis of financial assets and liabilities presented in the tables below:

In thousands of Belarusian rubles	**On demand and less than 1 month**	**1-3 months**	**3-6 months**	**6 months – 1 year**	**1 year – 5 years**	**More than 5 years**	**Past due**	**Unlimited**	**As at 31 December 2021**
Assets									
Cash and cash equivalents	109,340	-	-	-	-	-	-	-	109,340
Mandatory allowances in the National Bank of the Republic of Belarus	-	-	-	-	-	-	-	4,024	4,024
Due from other banks	-	-	-	-	-	-	-	1,063	1,063
Loans to customers	11,976	29,140	33,561	34,133	135,290	303	5,264	-	249,667
Securities measured at fair value through profit and loss	109	352	115	-	29,382	7,644	-	-	37,602
Other financial assets	94	-	-	505	579	-	21	-	1,199
Total financial assets	**121,519**	**29,492**	**33,676**	**34,638**	**165,251**	**7,947**	**5,285**	**5,087**	**402,895**
Liabilities									
Due to other banks	2	970	562	-	-	-	-	-	1,534
Due to customers	119,187	123,015	40,948	34,063	36,027	-	-	-	353,240
Other financial liabilities	1,309	151	200	324	1,042	-	-	-	3,026
Debt securities issued	-	-	-	51	3,527	-	-	-	3,578
Subordinated loans	105	-	-	-	10,344	10,216	-	-	20,665
Preference shares	-	-	-	694	-	-	-	1,102	1,796
Total financial liabilities	**120,603**	**124,136**	**41,710**	**35,132**	**50,940**	**10,216**	**-**	**1,102**	**383,839**
Liquidity gap	916	(94,644)	(8,034)	(494)	114,311	(2,269)			
Cumulative expected liquidity gap	**916**	**(93,728)**	**(101,762)**	**(102,256)**	**12,055**	**9,786**			

In thousands of Belarusian rubles	On demand and less than 1 month	1-3 months	3-6 months	6 months – 1 year	1 year – 5 years	More than 5 years	Past due	Unlimited	As at 31 December 2020
Assets									
Cash and cash equivalents	87,903	-	-	-	-	-	-	-	87,903
Mandatory allowances in the National Bank of the Republic of Belarus	-	-	-	-	-	-	-	3,616	3,616
Due from other banks	-	-	-	-	-	-	-	675	675
Loans to customers	10,184	35,676	40,321	36,269	142,974	665	6,615	-	272,704
Securities measured at fair value through profit and loss	114	297	116	-	24,614	14,197	-	-	39,338
Other financial assets	83	-	-	1,006	1,624	-	24	-	2,737
Total financial assets	**98,284**	**35,973**	**40,437**	**37,275**	**169,212**	**14,862**	**6,639**	**4,291**	**406,973**
Liabilities									
Due to other banks	11,489	4,468	-	-	-	-	-	-	15,957
Due to customers	97,277	39,312	59,396	94,505	28,647	-	-	-	319,137
Other financial liabilities	1,324	129	182	356	971	-	-	-	2,962
Debt securities issued	-	178	137	13,295	-	-	-	-	13,610
Subordinated loans	100	-	-	-	2,700	18,076	-	-	20,876
Preference shares	-	-	-	449	-	-	-	1,102	1,551
Total financial liabilities	**110,190**	**44,087**	**59,715**	**108,605**	**32,318**	**18,076**	**-**	**1,102**	**374,093**
Liquidity gap	(11,906)	(8,114)	(19,278)	(71,330)	136,894	(3,214)			
Cumulative expected liquidity gap	**(11,906)**	**(20,020)**	**(39,298)**	**(110,628)**	**26,266**	**23,052**			

According to the Management of the Bank, the overlap and/or controlled mismatch between the placement and maturity terms and interest rates on assets and liabilities is a fundamental factor for the success of management of the Bank. In banks, as a rule, there is no complete overlap on these positions, as transactions often have uncertain maturity dates and different nature. The mismatch of these positions potentially increases the profitability of the activity, and at the same time increases the risk of losses.

In recent economic conditions in the Republic of Belarus (high devaluation expectations) long-term resources in Belarusian rubles are being replaced by short-term ones. The Bank manages liquidity in the face of significant liquidity gaps in the short term, raising available and most profitable resources in Belarusian rubles to maintain liquidity. The main sources of the Bank's resource base are the raised funds of legal entities. Additional current sources of coverage of short-term liquidity gaps are also borrowings in the interbank loan market, the conclusion of swap transactions and currency exchange transactions with banks, as well as issuance of own debt securities.

In order to prevent the outflow of amounts due to customers, as well as to extend the terms of their use, the Bank promptly revises the terms of existing products and develops new ones, works on attracting new customers. At the same time, the terms of credit products are also being revised to diversify the loan portfolio in terms of the principal repayment mechanism.

The table below provides an analysis of the balance sheet assets and liabilities by expected repayment or repayment dates as at 31 December 2021 and 2020:

	31 December 2021			31 December 2020		
In thousands of Belarusian rubles	Within a year	More than a year	Total	Within a year	More than a year	Total
Assets						
Cash and cash equivalents	109,340	-	109,340	87,903	-	87,903
Mandatory allowances in the National Bank of the Republic of Belarus	-	4,024	4,024	-	3,616	3,616
Due from other banks	-	1,063	1,063	-	675	675
Securities measured at fair value through profit and loss	576	37,026	37,602	527	38,811	39,338
Loans to customers	114,074	135,593	249,667	122,450	150,254	272,704
Property and equipment, intangible assets and right-of-use assets	812	19,051	19,863	739	18,779	19,518
Assets held for sale	140	-	140	-	-	-
Current income tax requirement	333	-	333	414	-	414
Other assets	4,930	616	5,546	1,888	1,710	3,598
Total assets	**230,205**	**197,373**	**427,578**	**213,921**	**213,845**	**427,766**
Liabilities						
Due to other banks	1,534	-	1,534	15,957	-	15,957
Due to customers	317,213	36,027	353,240	290,490	28,647	319,137
Debt securities issued	51	3,527	3,578	13,610	-	13,610
Other liabilities	2,640	1,042	3,682	2,391	971	3,362
Deferred income tax liability	-	-	-	-	1,903	1,903
Subordinated loans	105	20,560	20,665	100	20,776	20,876
Preference shares	-	1,796	1,796	-	1,551	1,551
Total liabilities	**321,543**	**62,952**	**384,495**	**322,548**	**53,848**	**376,396**
Net balance position	**(91,338)**	**134,421**	**43,083**	**(108,627)**	**159,997**	**51,370**

Market risk. Market risk is the risk of the Bank's losses, non-receipt of planned income from changes in the value of balance sheet and off-balance sheet positions related to the trading portfolio, as well as positions denominated in foreign currency and goods due to changes in market prices of financial instruments and goods caused by changes in foreign exchange rates, market interest rates and other factors. I.e., it is the risk of changing values of market parameters, such as interest rates, exchange rates, stock or commodity prices, correlation between different market parameters and volatility of these parameters. The Bank considers market risk as a set of currency, commodity, interest rate, trading portfolio and stock risks.

Commodity risk is the probability of the Bank's losses, non-receipt of planned income from changes in the value of goods. In accordance with the regulation on commodity risk management, no stress testing was conducted in the reporting year to measure the potential impact of the value of the commodity portfolio on the Bank's regulatory capital. During 2021 (on the first day of each month), the commodity risk did not exceed 5 percent of assets, for calculating the Bank's regulatory capital adequacy.

The cost of property exposed to commodity risk as at 1 January 2022 was BYN 4,021 thousand, and as at 1 January 2021 — BYN 187 thousand. The amount of commodity risk included in the calculation of the regulatory capital adequacy as at 1 January 2022 was BYN 724 thousand, and as at 1 January 2021 – BYN 34 thousand.

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

Currency risk management is carried out using the following methods:

- separation of powers and responsibilities between management bodies, committees, officials and divisions of the Bank in the sphere of currency risk management;
- organization of limit policy;
- organization of a system of tracking the status and dynamics of an open currency position — total and by types of currencies, as well as a system of rapid response aimed at minimizing currency risk;
- organization of stress testing system;
- creation of a system of regular and timely informing of management bodies and committees of the Bank about efficiency of currency risk management system;
- creation of a system of rapid and adequate response aimed at minimization of currency risk, development of a plan of actions of the Bank in unforeseen situations connected with currency risk.

The Bank sets limits on the level of accepted risk in terms of types of currencies and in general for all foreign currencies, both at the end of each day and within one day, and monitors compliance with them on a daily basis. The Treasury controls the state of an open currency position and its actual size, based on the accounting data on balance sheet and off-balance sheet accounts for each day. The procedure for calculating the amount of open currency position of the Bank and including the amount of currency risk when calculating capital adequacy is determined in accordance with the requirements of the National Bank.

The table below provides an analysis of the currency risk of the Bank as at 31 December 2021:

In thousands of Belarusian rubles	**BYN**	**USD**	**EUR**	**RUB**	**Other curren-cies**	**Total**
Assets						
Cash and cash equivalents	61,516	27,740	8,619	10,361	1,104	109,340
Mandatory allowances in the National Bank of the Republic of Belarus	4,024	-	-	-	-	4,024
Due from other banks	55	1,008	-	-	-	1,063
Loans to customers	117,843	38,256	68,351	25,217	-	249,667
Securities measured at fair value through profit and loss	-	25,834	11,768	-	-	37,602
Other financial assets	727	472	-	-	-	1,199
Total financial assets	**184,165**	**93,310**	**88,738**	**35,578**	**1,104**	**402,895**
Liabilities						
Due to other banks	1,532	2	-	-	-	1,534
Due to customers	149,388	100,857	55,292	46,684	1,019	353,240
Other financial liabilities	2,525	65	412	24	-	3,026
Debt securities issued	3,578	-	-	-	-	3,578
Subordinated loans	2,721	17,944	-	-	-	20,665
Preference shares	1,796	-	-	-	-	1,796
Total financial liabilities	**161,540**	**118,868**	**55,704**	**46,708**	**1,019**	**383,839**
Open balance net position	**22,625**	**(25,558)**	**33,034**	**(11,130)**	**85**	**19,056**
Requirements on derivative financial instruments	-	25,206	-	9,450	-	34,656
Liabilities on derivative financial instruments	-	-	(34,591)	-	-	(34,591)
Net position on derivative financial instruments	**-**	**25,206**	**(34,591)**	**9,450**	**-**	**65**
Total open currency position	**22,625**	**(352)**	**(1,557)**	**(1,680)**	**85**	

The table below provides an analysis of the currency risk of the Bank as at 31 December 2020:

In thousands of Belarusian rubles	**BYN**	**USD**	**EUR**	**RUB**	**Other curren-cies**	**Total**
Assets						
Cash and cash equivalents	55,715	14,447	4,282	13,392	67	87,903
Mandatory allowances in the National Bank of the Republic of Belarus	3,616	-	-	-	-	3,616
Due from other banks	55	620	-	-	-	675
Loans to customers	107,132	21,200	134,996	9,376	-	272,704
Securities measured at fair value through profit and loss	-	26,405	12,933	-	-	39,338
Other financial assets	2,730	5	2	-	-	2,737
Total financial assets	**169,248**	**62,677**	**152,213**	**22,768**	**67**	**406,973**
Liabilities						
Due to other banks	1,301	4,518	10,138	-	-	15,957
Due to customers	122,233	92,868	60,385	43,646	5	319,137
Other financial liabilities	2,310	21	631	-	-	2,962
Debt securities issued	13,610	-	-	-	-	13,610
Subordinated loans	2,717	18,159	-	-	-	20,876
Preference shares	1,551	-	-	-	-	1,551
Total financial liabilities	**143,722**	**115,566**	**71,154**	**43,646**	**5**	**374,093**
Open balance net position	**25,526**	**(52,889)**	**81,059**	**(20,878)**	**62**	**32,880**
Requirements on derivative financial instruments	6,968	54,411	-	20,019	-	81,398
Liabilities on derivative financial instruments	-	-	(81,418)	-	-	(81,418)
Net position on derivative financial instruments	**6,968**	**54,411**	**(81,418)**	**20,019**	**-**	**(20)**
Total open currency position	**32,494**	**1,522**	**(359)**	**(859)**	**62**	

The Bank calculates the ratio of open currency position and its regulation on the basis of the nominal value of financial instruments in accordance with the requirements of the National Bank.

The Bank provided 52.8% (60.7% in 2020) of loans in foreign currency. Depending on the currency of cash flows received by the borrower, the growth of foreign exchange rates against the Belarusian ruble may have a negative impact on the ability of borrowers to carry out repayment of loans, which in turn increases the probability of losses on loans.

The table below provides an analysis of the sensitivity of profit before tax and capital to significant possible changes in exchange rates used at the end of the reporting period for the functional currency of the Bank, taking into account the assumptions that all other variable characteristics will remain unchanged:

	31 December 2021	
In thousands of Belarusian rubles	**Impact on income before tax**	**Impact on capital (with due regard to income tax at the rate 25%)**
Strengthening of USD by 30%	(106)	(80)
Weakening of USD by 10%	35	26
Strengthening of EUR by 30%	(467)	(350)
Weakening of EUR by 10%	156	117
Strengthening of RUB by 20%	(336)	(252)
Weakening of RUB by 10%	168	126
Strengthening of other currencies by 20%	17	13
Weakening of other currencies by 10%	(9)	(7)

	31 December 2020	
In thousands of Belarusian rubles	**Impact on income before tax**	**Impact on capital (with due regard to income tax at the rate 25%)**
Strengthening of USD by 25%	381	286
Weakening of USD by 10%	(152)	(114)
Strengthening of EUR by 25%	(90)	(68)
Weakening of EUR by 10%	36	27
Strengthening of RUB by 20%	(172)	(129)
Weakening of RUB by 10%	86	65
Strengthening of other currencies by 20%	12	9
Weakening of other currencies by 10%	(6)	(5)

Exchange rate sensitivity analysis was conducted for items denominated in currencies other than the Bank's functional currency. In fact, there is a connection between the assumptions and other factors. It should also be noted that the sensitivity has a non-linear nature, so interpolation or extrapolation of the received results shall not be implemented.

Interest rate risk of the bank's portfolio. Interest rate risk of the bank portfolio is the probability of the Bank's losses arising from changes in the value of the Bank's balance sheet and off-balance sheet positions that are not part of the trading portfolio, due to the changes in interest rates.

Risk of interest rate change is managed by the following methods:

- separation of powers and responsibilities between management bodies, committees, officials and divisions of the Bank in the sphere of interest rate risk management;
- organization of a system of management of financial assets and financial liabilities sensitive to changes in the interest rate;
- organization of interest policy that is adequate and in the interests of the Bank;
- organization of the management system of financial assets and financial liabilities sensitive to changes in the interest rate, analysis of the structure and dynamics of the resource base and active investments;
- organization of stress testing system;

- creation of a system of rapid and adequate response aimed at minimization of interest rate risk, development of a plan of actions of the Bank in unforeseen situations connected with the risk of changes in the interest rate.

The table below provides a general analysis of the Bank's interest rate risk. It reflects the total amounts of interest rate sensitive financial assets and liabilities recorded in the statement of financial position by maturity:

In thousands of Belarusian rubles	On demand and less than 1 month	1-3 months	3-6 months	6 months – 1 year	1 year – 5 years	More than 5 years	Total
31 December 2021							
Total financial assets on which interest is accrued	16,190	29,492	33,676	34,133	164,672	7,947	286,110
Total financial liabilities on which interest is accrued	118,602	124,059	42,404	34,438	50,940	10,216	380,659
Interest rate gap as at 31 December 2021	**(102,412)**	**(94,567)**	**(8,728)**	**(305)**	**113,732**	**(2,269)**	**(94,549)**

In thousands of Belarusian rubles	On demand and less than 1 month	1-3 months	3-6 months	6 months – 1 year	1 year – 5 years	More than 5 years	Total
31 December 2020							
Total financial assets on which interest is accrued	22,663	35,973	40,437	36,269	167,588	14,862	317,792
Total financial liabilities on which interest is accrued	108,803	44,087	60,146	108,156	32,318	18,076	371,586
Interest rate gap as at 31 December 2020	**(86,140)**	**(8,114)**	**(19,709)**	**(71,887)**	**135,270**	**(3,214)**	**(53,794)**

During the current monitoring, the Bank also analyses the composition and dynamics of financial assets and financial liabilities, analyses the interest rates that were in force earlier and in force in the present moment in the monetary markets of the Republic of Belarus and the countries whose residents are the Bank's main counterparties, and their impact on the change in the level of interest risk.

The floating interest rate financial instruments as at 31 December 2020 and 2019 are presented below:

In thousands of Belarusian rubles	31 December 2021		31 December 2020	
	BYN	USD/EUR/ RUB	BYN	USD/EUR/ RUB
Assets				
Due from other banks	-	426	-	-
Loans to customers	27,629	-	12,256	-
Total floating interest rate assets	**27,629**	**426**	**12,256**	**-**
Liabilities				
Due to customers	6,927	3,213	4,322	5,220
Subordinated loans	2,721	17,944	2,717	18,159
Total floating interest rate liabilities	**9,648**	**21,157**	**7,039**	**23,379**

The Bank is not exposed to the risk of changing the fair value of fixed-rate financial instruments, as the Bank has a contractual right to unilaterally change interest rates on such instruments.

The table below provides an analysis of the sensitivity of profit before tax and capital to significant possible changes in floating interest rates used at the end of the reporting period, taking into account the assumptions that all other variable characteristics will remain unchanged:

	31 December 2021		31 December 2020	
In thousands of Belarusian rubles	**Impact on income before tax**	**Impact on capital (with due regard to income tax at the rate 25%)**	**Impact on income before tax**	**Impact on capital (with due regard to income tax at the rate 25%)**
Increase by 1,000 basis points of interest rate on financial instruments in Belarusian rubles	1,798	1,349	522	392
Decrease by 1,000 basis points of interest rate on financial instruments in Belarusian rubles	(1,798)	(1,349)	(522)	(392)
Increase by 100 basis points of interest rate on financial instruments in other currencies	(207)	(155)	(234)	(176)
Decrease by 100 basis points of interest rate on financial instruments in other currencies	207	155	234	176

Operational risk - is the risk of losses incurred by the Bank as a result of non-compliance, established by internal documents of the Bank of the procedures for performing banking operations and other transactions to the legislation of the Republic of Belarus or their violation by the Bank's employees, incompetence or errors of the Bank's employees, inconsistency or failure of the systems used by the Bank, including information systems, and also as a result of external factors. Operational risk management is a continuous process in the Bank for identification, evaluation, monitoring, control and reporting to the management bodies of the Bank. Control of the level of operational risk is carried out within the framework of the internal control system and is based on the principles of comprehensive and multilevel internal control, coverage of control procedures of all structural divisions of the Bank.

Information on changes in liabilities related to financial activities.

The table below provides a reconciliation of liabilities arising from financial activities as at 31 December 2021 and 31 December 2020:

In thousands of Belarusian rubles	**Debt securities issued**	**Subordinated loans**	**Lease liabilities**	**Total liabilities from financial activities**
Carrying value as at 31 December 2019	**30,396**	**17,549**	**578**	**48,523**
Acquisition	58,825	-	1,727	60,552
Repayment	(74,286)	(3)	(9)	(74,298)
Foreign exchange differences	571	3,335	-	3,906
Other	(1,896)	(5)	(593)	(2,494)
Carrying value as at 31 December 2020	**13,610**	**20,876**	**1,703**	**36,189**
Acquisition	18,566	-	1,347	19,913
Repayment	(28,335)	(4)	(208)	(28,547)
Foreign exchange differences	-	(212)	-	(212)
Other	(263)	5	(1,047)	(1,305)
Carrying value as at 31 December 2021	**3,578**	**20,665**	**1,795**	**26,038**

Item "Other" includes the effect of accrued but not yet paid interest on issued debt securities and subordinated loans. The Bank classifies paid interest as cash flows from operating activities.

32. Fair value measurement

The Bank follows the following hierarchy of initial data used in determining fair value:

- Level 1 — initial data for fair value measurement are unadjusted active market quotes for identical assets and liabilities that the Bank may access on the date of assessment. An active market is defined as a market in which instruments are traded regularly and in sufficient volume to provide information on assessments on a continuous basis. Any adjustment to the level 1 initial data results in a lower level fair value assessment.

- Level 2 — The initial data for fair value assessment are data other than quoted prices included in Level 1, observed directly (prices) or indirectly (price derivatives), includes instruments assessed using quotations in active markets for similar financial instruments, quotations for identical or similar financial instruments in non-active markets, or other valuation methods for which all essential initial data are directly or indirectly available on the basis of market information. If significant level 2 initial data are adjusted using material, non-observed data, the fair value obtained is assigned to level 3.

- Level 3 — The initial data for fair value measurement are non-observed data that should reflect all assumptions that would be used by market participants in setting the price of the instrument, including risk assumptions. The fair value, calculated from a combination of different valuation methods, relates to level 3.

When using initial data from different levels of the hierarchy, the Bank considers fair value as a whole to the lowest level to which the initial data relates.

The Bank records any transfers between fair value levels at the end of the reporting period.

The table below presents the hierarchy of sources of fair value estimates of the Bank's assets and liabilities at fair value:

In thousands of Belarusian rubles

31 December 2021	**Notes**	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities measured at fair value through profit and loss	10	-	37,602	-	**37,602**
31 December 2020	**Notes**	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities measured at fair value through profit and loss	10	-	39,338	-	**39,338**

For the years ended 31 December 2021 and 2020, the Bank did not have transfers between the levels of the hierarchy of sources of fair value estimates of assets and liabilities.

(a) Fair value of financial instruments

The comparison of the value recorded in the statement of financial position and the fair value of the Bank's financial instruments as at 31 December 2021 and 2020 is presented below:

	31 December 2021		31 December 2020	
In thousands of Belarusian rubles	**Value recorded in the statement of financial position**	**Fair value**	**Value recorded in the statement of financial position**	**Fair value**
Cash and cash equivalents	109,340	109,340	87,903	87,903
Mandatory allowances in the National Bank of the Republic of Belarus	4,024	4,024	3,616	3,616
Due from other banks	1,063	1,063	675	675
Loans to customers	249,667	249,667	272,704	272,704
Securities measured at fair value through profit or loss	37,602	37,602	39,338	39,338
Other financial assets	1,199	1,199	2,737	2,737
Total financial assets	**402,895**	**402,895**	**406,973**	**406,973**
Liabilities				
Due to other banks	1,534	1,534	15,957	15,957
Due to customers	353,240	353,240	319,137	319,137
Debt securities issued	3,578	3,578	13,610	13,610
Other financial liabilities	3,026	3,026	2,962	2,962
Subordinated loans	20,665	14,640	20,876	14,113
Preference shares	1,796	1,796	1,551	1,551
Total financial liabilities	**383,839**	**377,814**	**374,093**	**367,330**

The following describes the methods and assumptions used by the Bank in determining the fair value of financial instruments.

(a) Financial instruments recorded at fair value in the statement of financial position

As at 31 December 2021 and 31 December 2020, the fair value of financial assets measured at fair value and derivative financial instruments is calculated at using a discounted cash flow model in which the most significant input data are available on the market for identical or similar financial instruments (level 2). The fair value of short-term currency swaps with other banks for up to 10 days is recognized as zero.

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

Financial instruments which fair value is approximately equal to their value as recorded in the statement of financial position. For financial assets and financial liabilities that are liquid or have a short-term maturity (less than three months) it is assumed that their carrying amount approximates their fair value. This assumption also applies to interbank loans, demand deposits and current accounts, as well as other short-term receivables and payables.

Financial instruments with floating and fixed interest rates. The fair value of financial instruments placed at floating interest rates is approximately equal to their value recognized in the statement of financial position. The estimated fair value of financial instruments placed at fixed interest rates is based on the calculation of discounted cash flows by applying interest rates for the financial instruments with similar conditions, credit risk level and maturity.

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

The fair value of financial instruments not recorded in the statement of financial position at fair value corresponds to level 2 of the hierarchy of valuation sources other than cash and funds in accounts in the National Bank corresponding to level 1.

33. Operating segments

The Bank's segment reporting is based on the following operating segments: services to individuals, services to legal entities, treasury operations.

- services to individuals — maintaining current accounts, accepting deposits, granting loans, making settlements on behalf of individuals, servicing bank payment cards, safekeeping services;
- services to legal entities - settlement and cash services of enterprises and organizations (residents and non-residents of the Republic of Belarus), raising of deposits, placement of own issued debt securities, granting loans and other types of financing, documentary operations, securities transactions on behalf of customers;
- treasury operations — operations with the National Bank, maintenance of correspondent accounts of banks, raising and placement of funds in the interbank market, operations with securities on behalf of the Bank (including repurchase transactions), transactions with derivative financial instruments, purchase, sale and conversion of foreign currency.

Comparative information on the operational segments for 2021 is presented below:

In thousands of Belarusian rubles	**Services to individuals**	**Services to legal entities**	**Treasury operations**	**Other / not allocated**	**Total**
Interest income	14,170	17,677	1,800	-	33,647
Interest expenses	(11,161)	(13,196)	(709)	(1,203)	(26,269)
Net interest income	**3,009**	**4,481**	**1,091**	**(1,203)**	**7,378**
Commission income	1,518	3,803	1	1,637	6,959
Commission expenses	(784)	(32)	(447)	(1,300)	(2,563)
Net commission income	**734**	**3,771**	**(446)**	**337**	**4,396**
Net income from operations with derivative financial instruments	-	-	25	-	25
Net income from foreign exchange transactions	-	-	8,784	89	8,873
Net income from securities transactions	-	(271)	(3)	-	(274)
Other income	838	1,056	-	6,803	8,697
Operating income	**4,581**	**9,037**	**9,451**	**6,026**	**29,095**
Operating expenses	(769)	(5)	-	(20,661)	(21,435)
Net valuation of assets received as repayment of debt	-	-	-	(388)	(388)
Net accrual of allowances for impairment of interest-bearing financial assets	(7,157)	(9,381)	(627)	(42)	(17,207)
Net recovery of allowances for impairment of other financial assets	(37)	14	-	43	20
Net accrual of allowances for credit related commitments	1	(276)	-	-	(275)
Segment financial result before income tax expense	**(3,381)**	**(611)**	**8,824**	**(15,022)**	**(10,190)**
Loss before income tax expense					(10,190)
Income tax benefits					1,903
Net loss for the year					**(8,287)**
Segment assets	77,843	172,930	148,005	28,800	427,578
Segment liabilities	115,545	241,022	5,112	22,816	384,495
Other segment information					
Cash and cash equivalents	-	-	109,340	-	109,340
Mandatory allowances in the National Bank of the Republic of Belarus	-	-	-	4,024	4,024
Securities measured at fair value through profit and loss	-	-	37,602	-	37,602
Due from other banks	-	-	1,063	-	1,063
Loans to customers	77,696	171,971	-	-	249,667
Other assets	147	959	-	4,440	5,546
Debt securities issued	-	-	3,578	-	3,578
Due to other banks	-	-	1,534	-	1,534
Due to customers	115,239	238,001	-	-	353,240
Other liabilities	306	3,021	-	355	3,682

Comparative information on the operational segments for 2020 is presented below:

In thousands of Belarusian rubles	**Services to individuals**	**Services to legal entities**	**Treasury operations**	**Other / not allocated**	**Total**
Interest income	11,212	13,188	1,605	872	26,877
Interest expenses	(5,277)	(10,302)	(1,557)	(652)	(17,788)
Net interest income	**5,935**	**2,886**	**48**	**220**	**9,089**
Commission income	1,166	4,209	1	739	6,115
Commission expenses	(390)	(12)	(441)	(858)	(1,701)
Net commission income	**776**	**4,197**	**(440)**	**(119)**	**4,414**
Net income from operations with derivative financial instruments	-	-	312	-	312
Net income from foreign exchange transactions	-	-	16,984	(10,120)	6,864
Net income from securities transactions	-	(36)	(190)	-	(226)
Other income	1,080	175	-	129	1,384
Operating income	**7,791**	**7,222**	**16,714**	**(9,890)**	**21,837**
Operating expenses	(654)	(13)	1	(16,162)	(16,828)
Net valuation of assets received as repayment of debt	-	-	-	25	25
Net accrual of allowances for impairment of interest-bearing financial assets	(789)	(749)	(319)	-	(1,857)
Net recovery of allowances for impairment of other financial assets	154	45	-	(2)	197
Net accrual of allowances for credit related commitments	3	(64)	-	-	(61)
Segment financial result before income tax expense	**6,505**	**6,441**	**16,396**	**(26,029)**	**3,313**
Profit before income tax expense					3,313
Income tax expense					(815)
Net profit for the year					**2,498**
Segment assets	83,565	191,787	127,916	24,498	427,766
Segment liabilities	87,958	234,226	29,567	24,645	376,396
Other segment information					
Cash and cash equivalents	-	-	87,903	-	87,903
Mandatory allowances in the National bank of the Republic of Belarus	-	-	-	3,616	3,616
Securities measured at fair value through profit and loss	-	-	39,338	-	39,338
Due from other banks	-	-	675	-	675
Loans to customers	83,386	189,318	-	-	272,704
Other assets	179	2,469	-	950	3,598
Debt securities issued	-	-	13,610	-	13,610
Due to other banks	-	-	15,957	-	15,957
Due to customers	87,706	231,431	-	-	319,137
Other liabilities	252	2,795	-	315	3,362

Information on the structure of interest and commission income and expenses of the Bank by type of activity is provided in Notes 22, 23. Analysis of the geographical structure of the Bank's financial assets and liabilities is presented in Note 31.

34. Related-party transactions

In accordance with IAS 24 Related Party Disclosures, the Bank defines related parties as parties that have the ability to control or significantly influence the Bank's operational and financial decisions. When deciding whether the parties are related, the content of the relationship between the parties is taken into account, not only their legal form.

In the ordinary course of business, the Bank carries out operations with its shareholders, management of the Bank and other related parties. These operations include loans, fund raising and other operations. Based on the Bank's policy all operations with related parties are carried out on the same terms as those with third parties.

The balances on operations with related parties as at 31 December 2021 are presented below:

In thousands of Belarusian rubles	**Shareholders**	**Companies under common control**	**Key management personnel**
Loans to customers	-	-	24
Allowance for impairment	-	-	-
Loans to customers less allowance for impairment	-	-	24
Other financial assets	496	-	-
Subordinated loans	20,665	-	-
Due to customers	589	146	438

The balances on operations with related parties as at 31 December 2020 are presented below:

In thousands of Belarusian rubles	**Shareholders**	**Companies under common control**	**Key management personnel**
Loans to customers	1	-	84
Allowance for impairment	-	-	(1)
Loans to customers less allowance for impairment	1	-	83
Other financial assets	1,497	-	-
Subordinated loans	20,876	-	-
Due to customers	1,136	849	219

The credit related commitments for operations with related parties as at 31 December 2021 and 2020 are presented below:

In thousands of Belarusian rubles	**Shareholders**	**Companies under common control**	**Key management personnel**
Unused credit lines as at 31 December 2021	-	-	16
Unused credit lines as at 31 December 2020	9	-	36

The items of income and expenses for operations with related parties for 2021 are presented below:

In thousands of Belarusian rubles	**Shareholders**	**Companies under common control**	**Key management personnel**
Interest income	-	-	9
Interest expenses	(1,245)	(2)	(12)
Commission income	2	15	-
Income on settlements with customers	1,489	-	-
Operating lease expenses	(157)	(180)	-

The items of income and expenses for operations with related parties for 2020 are presented below:

In thousands of Belarusian rubles	**Shareholders**	**Companies under common control**	**Key management personnel**
Interest income	-	112	10
Interest expenses	(1,245)	(10)	(8)
Commission income	2	10	-
Income on settlements with customers	2,125	-	-
Operating lease expenses	(117)	(172)	-

The information on remuneration payments to key management personnel and members of the Board of Directors for 2021 and 2020 is presented below:

In thousands of Belarusian rubles	**2021**	**2020**
Salary and other short-term payments	1,509	1,192
Remuneration to members of the Board of Directors	429	384

35. Subsequent events

The current epidemiological situation during COVID-19, the functioning of the economy of the Republic of Belarus in the conditions of economic sanctions related to events on the territory of a neighbouring country indicate a significant degree of economic uncertainty. Financial position of borrowers (debtors) and, respectively, their ability to repay their debts to the Bank in a timely manner and in full also depends on the prospects for further development of the economic policy pursued by the Government of the Republic of Belarus.

These events had a serious impact on the foreign exchange market of the Republic of Belarus. On 24 February 2022, trading on the Belarusian Currency and Stock Exchange ended with a sharp one-time decline in the exchange rate of BYN against USD (by 5.9% to BYN 2.7977), and EUR (by 4.78% to BYN 3,1375). For the period from 31 December 2021 until the date of approval of these financial statements, BYN changed against major currencies as follows: decreased against USD by 4.73%, against RUB by 5.55% and strengthened against EUR by 0.14%.

Since 1 March 2022, the National Bank of the Republic of Belarus has increased the refinancing rate from 9.25% to 12% per annum. According to the results of March 2022, the increase in consumer prices amounted to 9.4% in annual terms.

Since March 2022, there have been restrictions and suspensions of transfers and payments in foreign currency by individual banks of the Republic of Belarus in connection with the current international sanctions against a range of Russian and Belarusian financial institutions.

In March 2022, the international rating agencies Standard&Poor's and Fitch Ratings downgraded the sovereign rating of the Republic of Belarus to "CCC", the estimation is "Negative".

Under increasing geopolitical tensions and the expansion of sanctions pressure from a number of states, the National Bank has taken additional temporary measures aimed at increasing the ability of banks to maintain financial support for the real sector of economy. Currently, it is not possible to accurately assess the impact of external and internal conditions on the economy of the Republic of Belarus and the financial situation of the Bank in particular. The Bank's Management takes all necessary measures aimed at ensuring stable and continuous operation in the current conditions.

On 18 April 2022, Mr. Valery N. Pobol, was appointed to the position of Acting Chairman of the Management Board, Deputy Chairman of the Management Board of the Bank.