TC Bank CJSC

Consolidated financial statements prepared in accordance with International Financial Reporting Standards

for 2021

with independent auditors 'report

Contents

Grant Thornton

20.05.2022 No. 149 ____

Ref No. __________ dated _________

To Mr. Serguei F. Khainovsski
the Chairman of the Board of
Trade Capital Bank Closed Joint-Stock Company

To the Shareholders, Board of Directors and Management Board of
Trade Capital Bank Closed Joint-Stock Company

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AUDITOR'S OPINION
ON THE CONSOLIDATED FINANCIAL STATEMENTS

Auditor's Opinion

We have audited the consolidated financial statements of Trade Capital Bank Closed Joint-Stock Company (hereinafter - TC bank, the Bank) and its subsidiaries (hereinafter - "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, its consolidated financial performance and its consolidated cash flows for 2021 in accordance with International Financial Reporting Standards (hereinafter - 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 - "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 Group in accordance with the Code of Ethics of Professional Accountants of the International Ethics Standards Board for Accountants (including International Standards of Independence) (hereinafter - "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

As disclosed in Notes 1 and 2 the Board of the National Bank of the Republic of Belarus decided to extend the suspension of the special permit (license) of TC Bank CJSC for one year from 20 December 2021 for the implementation of banking activities in terms of a banking operation to attract funds of individuals in deposits.

As disclosed in Note 2 since November 2018, due to the renewal of sanctions against Iranian financial institutions and TC Bank CJSC by the United States, the Bank was disconnected from the interbank payment system SWIFT.

We draw attention to Note 31 "Subsequent events", which states that events indicative of the economic and other conditions in which the Group operates include an unpredictable significant change in exchange rates after the reporting date, the functioning of the economy under economic sanctions, including the Russian Federation – the main trade partner of Belarus. The recovery of the Group's assets, as well as the financial position of the Group's debtors, and, accordingly, their ability to repay their debts to the Group in full and on time, largely depend on the prospects for further development of the economic policy pursued by the Government of the Republic of Belarus.

We do not express qualified audit opinion in connection with these circumstances.

Key Audit Matters of Annual Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual consolidated financial statements for the current period. These matters were addressed in the context of our audit of the annual consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provision for expected credit losses on amounts from financial institutions and the National Bank of the Republic of Belarus, securitized loans and loans to customers

Due to significance of amounts from financial institutions and the National Bank of the Republic of Belarus and loans to customers and significance of professional judgement and estimates required for calculation of expected credit losses in accordance with new IFRS 9 "Financial Instruments" this matter is a key audit matter.

The identification of impairment, significant increase in credit risk, determination of probability of default and loss given default, determination of the recoverable amount and forecast of macroeconomic variables require a high level of professional judgment.

Assessment of expected credit losses involves estimation techniques including internal credit ratings for calculation probability of default, historical data for determination of loss given default and forecasting of macroeconomic variables. Signs of significant increase in credit risk are also judgmental and are based on extent of increase in internal credit ratings, days overdue and other factors.

The use of various models and assumptions in the calculation of expected credit losses can significantly affect the level of the provision for expected credit losses on amounts due from financial institutions and the National Bank of the Republic of Belarus and loans to customers.

Note 4 “Significant accounting policies”, Note 5 “Critical accounting estimates and judgements in applying accounting policies”, Note 9 “Amounts due from financial institutions and the National Bank of the Republic of Belarus”, Note 10 “Securitized loans”, Note 11 “Loans to customers” and Note 27 “Risk management” included in the consolidated financial statements, provide detailed information on the provision for expected credit losses and the Group’s Management approach to assessing and managing risk.

During the audit we have considered and assessed the methodologies of the Group used for assessing the provision for expected credit losses on amounts due from financial institutions and the National Bank of the Republic of Belarus and loans to legal entities and individuals.

We assessed credit risk factors used by the Group for determining significant increase in credit risk.

We analyzed rating models, key inputs and assumptions, model for assessing the probability of default, the level of recovery and macroeconomic forecast ratio, used for calculation of expected credit losses

We have tested (on a sample basis) valuation models for selected amounts due from financial institutions and the National Bank of the Republic of Belarus and loans. Our work included assessment whether the models and inputs are appropriate, re-performance of selected calculations, and various analytical and other procedures.

We have analyzed information related to the provision for expected credit losses on amount due from financial institutions and the National Bank of the Republic of Belarus and loans to customers, disclosed in the notes to the consolidated financial statements

We have not revealed any significant misstatements in the above-mentioned procedures.

Other Matters

The audit of the annual consolidated financial statements of TC Bank CJSC for 2020 was carried out by another audit organization, which expressed an unmodified audit opinion on these statements in the auditor's report dated 21 May 2021.

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

The Management of the audited entity is responsible for the preparation and fair presentation of the annual consolidated 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 annual consolidated financial statements that are free from material misstatements whether due to fraud or errors.

In preparing the annual consolidated 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 in the annual consolidated financial statements, 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 Annual Consolidated Financial Statements

Our goal is to obtain reasonable assurance that the annual consolidated 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 annual consolidated 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:

- 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;
- obtain sufficient appropriate audit evidence related to the financial information of the entities or activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the management, control and audit of the Group. We remain fully responsible for our audit opinion.

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
Deputy Director for Methodology and
Quality Control of Audit Services
Grant Thornton LLC

«Грант Торнтон»

Svetlana Mahankova
Head of the audit group

Requisite Details of the Audited Entity

Name: Trade Capital Bank Closed Joint-Stock Company
(abbreviated name of the Bank - TC Bank CJSC);
Location: 65A Timiryazeva str., Minsk, 220035, Republic of Belarus;
Information about state registration: Trade Capital Bank Closed Joint-Stock Company was registered by the National Bank of the Republic of Belarus dated 22 September 2008, Resolution of the Board of the National Bank of the Republic of Belarus No. 133, certificate No. NB 000019
UNP: 807000163.

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
20 May 2022

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

20 May **2022.**

Signature	Serguei Khainovski Full name	Chairman of the Management board Position

Statement of the Management's responsibility for the preparation and approval of the consolidated financial statements

The Management is responsible for the preparation of the consolidated financial statements that present fairly, in all material respects, the financial position of Trade Capital Bank Closed Joint-Stock Company (hereinafter - the Bank) and its subsidiaries (hereinafter - the Group) as at 31 December 2021, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards (IFRS).

In preparing the consolidated 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 the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance;
- making an assessment of the Group's ability to continue as a going concern.

The Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal control throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the Group's financial position and ensure that the Group's consolidated financial statements comply with IFRS;
- maintaining accounting records in compliance with legislation and accounting rules of the Republic of Belarus;
- taking all reasonably possible measures to safeguard of the Group's assets; and
- detecting and preventing financial and other irregularities.

The consolidated financial statements of the Bank for the year ended 31 December 2021 were approved on 20 May 2022.

On behalf of the Management Board of the Bank:

S.F. Khaynovsski Chairman of the Management Board	S.L. Silitskaya Deputy Chief Accountant – Deputy Head of the Accounting and Reporting Department

(in thousands of BYN)

Consolidated Statement of Financial Position

	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	8	12,366	7,174
Amounts due from financial institutions and the National Bank of the Republic of Belarus	9	77	58
Loans to customers	11	13,263	12,373
Securities	12	31,090	39,367
Securitized loans	10	89,958	78,986
Long-term assets held for sale			438
Investment property	14	42,993	42,646
Property and equipment and intangible assets	13	3,327	4,064
Prepaid income tax		15	15
Deferred income tax asset	15	2,817	4,003
Other assets	16	1,829	5,323
TOTAL ASSETS		**197,735**	**194,447**
LIABILITIES			
Amounts due to financial institutions	17	11,914	9,502
Amounts due to customers	18	2,430	2,184
Current income tax liability		39	
Other liabilities	16	451	5,171
TOTAL LIABILITIES		**14,834**	**16,857**
EQUITY			
Share capital	19	188,975	188,975
Share premium		61	61
Revaluation reserve for securities		409	462
Accumulated loss		(6,544)	(11,908)
TOTAL EQUITY		**182,901**	**177,590**
TOTAL LIABILITIES AND EQUITY		**197,735**	**194,447**

The accompanying notes form an integral part of these consolidated financial statements.

Signed and authorized for issue on behalf of the Board of the Bank:

S.F. Khaynovsski
Chairman of the Management Board

S.L. Silitskaya
Deputy Chief Accountant –
Deputy Head of the Accounting and Reporting Department

(in thousands of BYN)

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Interest income	21	14,496	10,894
Interest expense	21	(2)	(42)
Net interest income	21	**14,494**	**10,852**
Commission and fee income	22	180	177
Commission and fee expense	22	(102)	(136)
Net commission and fee expense	22	**78**	**41**
Net income from transactions with financial instruments accounted at fair value through profit or loss			-
Net foreign exchange income	23	(700)	4,756
Net income from transactions with financial instruments accounted at fair value through other comprehensive income	24	(47)	(465)
Net other income	25	4,980	4,892
Net operating income		**18,805**	**20,076**
Net change in provision for expected credit loss		(2,443)	(8,298)
Net change in provision for impairment of other assets		147	179
Operating expenses	26	(9,691)	(9,642)
Profit before income tax		**6,818**	**2,315**
Income tax expenses (refund)		(1,454)	1,088
Profit for the year		**5,364**	**3,403**
OTHER COMPREHENSIVE INCOME			
Items that may be subsequently reclassified to profit or loss:			
Net change in fair value of financial assets accounted at fair value through comprehensive income		564	627
Net result reclassified into profit or loss on financial assets accounted at fair value through comprehensive income		(314)	423
Deferred tax asset		(30)	(119)
Net change in provision for ECL of securities accounted at fair value through comprehensive income		(273)	39
Total other comprehensive loss, which may be reclassified to profit or loss		**(53)**	**970**
TOTAL COMPREHENSIVE INCOME		**5,311**	**4,373**

The accompanying notes form an integral part of these consolidated financial statements.

Signed and authorized for issue on behalf of the Board of the Bank:

S.F. Khaynovsski
Chairman of the Management Board

S.L. Silitskaya
Deputy Chief Accountant –
Deputy Head of the Accounting and Reporting Department

(in thousands of BYN)

Consolidated Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserve for securities	Accumulated loss	Total equity
Balance as at 1 January 2020	**188,975**	**61**	**(508)**	**(15,311)**	**173,217**
Comprehensive income for the year	**-**	**-**	**970**	**3,403**	**4,373**
Profit for the year	-	-	-	3,403	**3,403**
Other comprehensive income	-	-	970	-	**970**
Balance as at 31 December 2020	**188,975**	**61**	**462**	**(11,908)**	**177,590**
Comprehensive income for the year			**(53)**	**5,364**	**5,311**
Profit for the year	-	-	-	5,364	**5,364**
Other comprehensive income	-	-	(53)		**(53)**
Balance as at 31 December 2021	**188,975**	**61**	**409**	**(6,544)**	**182,901**

The accompanying notes form an integral part of these consolidated financial statements.
Signed and authorized for issue on behalf of the Board of the Bank:

S.F. Khaynovsski
Chairman of the Management Board

S.L. Silitskaya
Deputy Chief Accountant –
Deputy Head of the Accounting and Reporting Department

(in thousands of BYN)

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows from operating activities			
Interest received		14,477	11,484
Interest paid		(2)	(5)
Fees and commissions received		180	177
Fees and commissions paid		(102)	(136)
Realised gain from foreign currency		(6)	525
Realised gain from securities		(47)	(465)
Other income received		4,980	4,654
Other expenses paid		(8,024)	(6,830)
Income tax paid		(198)	-
Cash flows from operating activities before changes in operating assets and liabilities		**11,258**	**9,404**
Increase/ (decrease) in operating assets			
Amounts due from financial institutions and the National Bank of the Republic of Belarus		1,057	2,459
Securitized loans		(9,921)	(14,774)
Loans to customers		(890)	(9,304)
Other assets		3,619	(8)
Net increase in operating liabilities			
Amounts due to financial institutions		(919)	(400)
Amounts due to customers		583	(999)
Other liabilities		(4,721)	907
Net cash flows from operating activities		**66**	**(12,715)**
Cash flows from investing activities			
Acquisition of property and equipment and intangible assets		(330)	(654)
Proceeds from sale of property and equipment		562	582
Acquisition of investment property		(1,070)	(518)
Acquisition of securities		(23,944)	(13,515)
Sales of securities		30,716	26,006
Net cash flows used in investing activities		**5,934**	**11,901**
Net decrease in cash and cash equivalents		**6 000**	**(814)**
Effect of exchange rates changes on cash and cash equivalents		(587)	750
Effect of expected credit losses on cash and cash equivalents		(221)	(54)
Cash and cash equivalents at the beginning of the year	**8**	**7 174**	**7 292**
Cash and cash equivalents at the end of the year	**8**	**12 366**	**7 174**

The accompanying notes form an integral part of these consolidated financial statements.

Signed and authorized for issue on behalf of the Board of the Bank:

S.F. Khaynovsski
Chairman of the Management Board

S.L. Silitskaya
Deputy Chief Accountant –
Deputy Head of the Accounting and Reporting Department

(in thousands of BYN)

Notes to the Consolidated Financial Statements

1. General information about the Group

Trade Capital Bank Closed Joint-Stock Company (hereinafter - TC Bank CJSC, the Bank) was registered on the territory of the Republic of Belarus by the National Bank of the Republic of Belarus on 12 September 2008. The Bank's legal address is 65A Timiriazeva str., Minsk, 220035, Republic of Belarus.

The Bank's Representative Office in Tehran, Iran was closed in 2019.

The Bank is the parent company of the Group, which includes Trading Capital-Invest unitary enterprise for the provision of services (hereinafter referred to as TC-Invest), Trading Capital-Zapad Limited Liability Company (hereinafter referred to as TC-Zapad).

The main activity of TC-Invest UE is the leasing of its own real estate. The registered address of the subsidiary: 65A Timiriazeva str., office 426, Minsk, 220035, Republic of Belarus.

The main activity of TC-Zapad LLC is operations with real estate: the acquisition of real estate, the lease of own real estate, the sale of own real estate, as well as real estate management, taking into account the requirements established by the legislation of the Republic of Belarus. The registered address of the organization: 65A Timiriazeva str., office 423, Minsk, 220035, Republic of Belarus.

These consolidated financial statements were approved for issue on 20 May 2022 and were signed by the Chairman of the Management Board and Deputy Chief Accountant of the Bank on behalf of the Management. The shareholders have the right to amend the consolidated financial statements and request their re-issue.

As at 31 December 2021 the shareholder structure was as follows:

Shareholder	Share (%), 2021	Share (%), 2020
Tejarat Bank, Islamic Republic of Iran	99.89	99.89
Belarusian and English Joint Venture Lada Garant CJSC, Republic of Belarus	0.11	0.11
Total	**100**	**100**

In accordance with the license of the National Bank of the Republic of Belarus (hereinafter - the National Bank) for banking activity No. 30 dated 19 June 2013, TC Bank CJSC has the right to carry out the following banking operations:

- attraction of funds of individuals and legal entities to accounts and in deposits (deposits);
- placement of attracted funds of individuals and legal entities to accounts and in deposits on its behalf and at its own expense on terms of repayment, payment and urgency
- opening and maintaining bank accounts of individuals and legal entities;
- settlement and cash services for individuals and legal entities, including correspondent banks;
- foreign exchange operations;
- issue of bank guarantees;
- trust management of funds under a trust management agreement for cash;
- issue (emission) of bank payment cards;

- issue of securities, confirming the raising of funds to deposits, and their placements on the accounts;
- factoring.

Special permission (license) for the right to carry out professional and stock exchange activities in securities No. 02200/5200-12-1081, issued by the Ministry of Finance of the Republic of Belarus based on decision No. 111 dated 20 May 2011. The license is valid from the date of the licensing authority's decision to issue it and is not limited by the term.

Certificate of registration with the State Institution Agency of Deposit Compensation dated 11 July 2011 under the number 27.

In accordance with the Resolution of the Board of the National Bank dated 25 April 2018, the license of TC Bank CJSC for banking activities was suspended for a period until 31 December 2019 (since 28 April 2018) in terms of carrying out banking operations to attract individuals' funds into deposits.

On 18 December 2019 the Board of the National Bank extended the suspension of the Bank's license to carry out banking activities in terms of carrying out banking operations to attract funds from individuals into deposits for a year since 23 December 2019.

On 20 December 2020 the Board of the National Bank extended the suspension of the Bank's license to carry out banking activities in terms of carrying out banking operations to attract funds from individuals into deposits for a year since 21 December 2020.

2. Emphasis of matter

The Resolution of the Board of the National Bank has once again suspended the special permit (license) of TC Bank CJSC for one year from 20 December 2021 for the implementation of banking activities in terms of a banking operation to attract funds of individuals in deposits.

Since November 2018, due to the renewal of sanctions against Iranian financial institutions and TC Bank CJSC by the United States, the Bank was disconnected from the interbank payment system SWIFT.

3. Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and are based on the accounting data of the Bank and its subsidiaries formed in accordance with the legislation of the Republic of Belarus on accounting and reporting, taking into account adjustments and reclassification of items that are necessary to bring them into line with IFRS.

The consolidated financial statements have been prepared under the historical cost principle except as disclosed in the accounting policies below.

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

Inflation accounting

From 1 January 2011 till 31 December 2014 the economy of Belarus was recognized as hyperinflationary due to meeting the criteria specified in IAS 29 "Financial Reporting in Hyperinflationary Economies" have been met. The standard requires that financial statements of the entities, which functional currency is the currency of a hyperinflationary economy, shall be presented in prices reflecting the purchasing power as at the reporting date.

The effect of applying IAS 29 is that non-monetary items were converted to units of measurement that were valid as at 31 December 2014, using the consumer price index. Starting from 1 January 2015, application of IAS 29 was ceased due to the decision by the professional accounting community that the Belarusian economy is no longer hyperinflationary, and the value of non-monetary assets, liabilities and equity in units of measurement as of 31 December 2014 formed the basis for relevant incoming balances.

4. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are stated below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

These financial statements have been prepared on a going concern basis as there is no evidence to support the Group's inability to continue as a going concern for at least 12 months following the reporting period.

Basis of consolidation

The subsidiaries controlled by the Group are consolidated. The Group has control over the investee if the Group is exposed to the risks associated with variable income from participating in the investee or is entitled to such income as well as able to influence income by exercising its authority with respect to the investee. The consolidation of the subsidiary starts from the date of transition of control over it to the Group and ceases from the date of loss of control. All transactions between the Group's entities, as well as balances and unrealized gains on such transactions, are eliminated in full; unrealized losses are also eliminated, unless the transaction indicates a depreciation of the transferred asset. If necessary, the accounting policies of the subsidiary are amended to bring it in line with the Group's accounting policies.

Functional and presentation currency

The Belarusian ruble is the functional and presentation currency of the Group.

Foreign currency

Transactions in foreign currencies are converted into the functional currency at the exchange rate of the National Bank of the Republic of Belarus, at the transaction date. All monetary assets and liabilities, including off-balance sheet assets and liabilities denominated in foreign currencies are converted into Belarusian rubles at the exchange rate prevailing at the balance sheet date.

(in thousands of BYN)

Gains or losses arising from exchange rate fluctuations on monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income in the period in which these fluctuations occur. Differences arising on conversion of foreign currencies are recognized through profit or loss, except for differences arising on the conversion of assets held for sale which are accounted at fair value and recognized in other comprehensive income.

The difference between the contractual exchange rate for a transaction in a foreign currency and the official rate of the National Bank of the Republic of Belarus at the date of such transaction is included in income less deduction of expenses for transactions in foreign currency.

The table below shows the exchange rates of BYN against the USD, EUR and RUB:

	31 December 2021	31 December 2020
BYN/USD	2.5481	2.5789
BYN/EUR	2.8826	3.1680
BYN/RUB (per 100 currency units)	3.4322	3.4871

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value or historical cost are converted into BYN at the exchange rate of the National Bank of the Republic of Belarus at the transaction date or the determination of fair value.

Financial assets and liabilities

Financial instruments - classification and assessment

Since 1 January 2018 in accordance with IFRS 9 financial assets are classified as measured at amortized cost, fair value through other comprehensive income or at fair value through profit or loss, based on: business model used by the Group to manage financial assets; the contractual cash flow characteristics of financial asset.

To choose the category of financial assets, the Group consistently conducts two tests to determine the category of financial assets: business model test and cash flow performance test.

Business model analysis is performed at the level of asset portfolios. The Group analyzes all significant and objective evidence available at the valuation date to determine the business model for specific portfolios of financial assets.

A financial asset shall be measured at amortized cost if both of the following conditions are met: the financial asset is held within a business model which objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: the financial asset is held within a business model which objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

At initial recognition the Group may decide, without further cancellation, to represent changes in the fair value of investments in equity instruments, not held for sale as part of other comprehensive income. Dividends received from such an investment are recognized by the Group in profit or loss.

Financial liabilities are measured at fair value through profit or loss when they meet the definition of held for sale or classified in this category at initial recognition. Liabilities are classified as measured at fair value through profit or loss if at initial recognition the Group at its own discretion classified the financial liability without further reclassification as such classification results in the elimination or material reduction of a measurement or recognition discrepancy that would otherwise arise. Fair value is used as the basis for the management of a group of financial liabilities or financial assets; or financial liabilities are held for sale, including derivatives.

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

Except for trade receivables, at initial recognition, the Group measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. If the trade receivables do not contain a significant financing component it is measured at their transaction price.

After initial recognition the Group measures a financial asset at: amortized cost, fair value through other comprehensive income or fair value through profit or loss.

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

After initial recognition the Group measures a financial liability at: amortized cost or fair value through profit or loss.

Fair value is the price which may be received to sell an asset or paid to transfer a liability in conducting operations on a ordinary basis between market participants at the measurement date. Fair value measurement assumes that a transaction for sale of an asset or transfer of a liability occurs:

- either in the main market for the asset or liability;
- either, in the absence of the main market, in the most favorable market for the asset or liability.

The Group must have access to the main or most favorable market. The fair value of an asset or liability is measured using assumptions that would be used by market participants in determining the price of an asset or liability, assuming that market participants act in their best interests. Non-financial asset fair value measurement takes into account the ability of a market participant to generate economic benefits from using the asset in the best and most efficient manner or selling it to another market participant who will use this asset in the best and most efficient manner.

The Group applies appropriate for the current situation and covered enough with sufficient data to evaluate the fair value assessment methods. Meanwhile it uses observable inputs to its maximum and non-observant inputs to its minimum.

All assets and liabilities fair value of which is assessed or disclosed in the consolidated financial statements are classified within the hierarchy of sources of fair value as described below, based on the lowest-level inputs that are significant to the fair value measurement as a whole:

Level 1 - market quotations of prices in the active market for identical assets or liabilities (without any adjustments);

Level 2 - valuation models in which inputs relevant to the lowest level of the hierarchy, which are essential for the assessment of fair value, are directly or indirectly observable in the market;

Level 3 - valuation models in which inputs relevant to the lowest level of the hierarchy, essential for the fair value measurement, are not observable in the market.

As for assets and liabilities that are recognized in the financial statements on a periodic basis, the Group determines the transfer between the levels of the sources of the hierarchy, re-analyzing the classification (based on the lowest-level input data that is significant for estimating the fair value as a whole) at the end of each reporting period.

The Group estimates the fair value of the instrument based on active market quotes in case if this information is available. The market is considered active if transactions are conducted on a regular basis between independent informed participants, and the relevant price quotes are readily available and reflect market conditions.

If the market is not active, different valuation techniques are used to determine fair value. Valuation methods include a discounted cash flow model, a comparison with similar instruments for which observable prices exist, and others. Assumptions and data used in valuation methods include risk-free and base interest rates, credit spreads and other premiums used in estimating discount rates, bond and equity prices, exchange rates, stock and index quotes, and expected price volatility.

The purpose of valuation techniques is to determine the fair value that reflects the price of a financial instrument at the reporting date in a transaction between independent parties.

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is accounted on initial recognition, less partial payments of principal debt, plus or minus the accumulated amortization of the difference between the initial cost and the amount payable calculated using the effective interest method, minus provision for impairment.

Initial cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Cost assessment is only applicable to investments in equity instruments that do not have a quoted market price and which fair value cannot be reliably measured as well as to derivatives that are linked to such unquoted equity instruments and shall be paid by such equity instruments.

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

Derecognition of financial assets

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

Cash and cash equivalents

Cash and cash equivalents include cash, funds with the National Bank of the Republic of Belarus, funds provided to financial institutions with an original maturity of up to 90 days, which can be freely converted into the appropriate cash amount within a short period of time, except for guarantee deposits and other restricted funds.

Mandatory reserves placed in the National Bank of the Republic of Belarus

Mandatory reserves placed in the National Bank of the Republic of Belarus represent the required reserves to be deposited with the National Bank of the Republic of Belarus and not intended to finance the daily operations of the Group. Therefore, they are not considered as cash and cash equivalents used in the preparation of the statement of cash flows. Mandatory reserves placed in the National Bank of the Republic of Belarus are recognized at amortized cost.

Amounts due from financial institution and the National Bank of the Republic of Belarus

Amounts due from financial institution and the National Bank of the Republic of Belarus are recorded when the Group provides money to counterparty banks with no intention of trade the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from financial institution and the National Bank of the Republic of Belarus are recognized at amortized cost.

Loans to customers

Loans to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans to customers are accounted at amortized cost.

Impairment of financial assets accounted at amortized cost

At each reporting date, the Group measures expected credit losses for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the valuation provision for expected credit losses for that financial instrument at an amount equal to 12-month expected credit losses.

In accordance with the requirements of IFRS 9, the Group applies the model of expected credit losses for the purpose of impairment of financial instruments, the key principle of which is the timely reflection of 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 provision for expected credit losses, depends on level of change in the credit quality of a financial instrument from the date of its initial recognition (for credit related commitments the date of initial recognition is the date when the Group assumes such commitment).

In accordance with the general approach, at the recognition date, financial instruments are included in Stage 1, then, depending on the degree of deterioration in credit quality from the date of initial recognition at subsequent reporting dates, the Group classifies financial instruments to one of the following stages:

Stage 1 - Financial instruments that do not have factors indicating an increase in credit risk and that do not have impairment indicators for which expected credit losses are calculated for a period of 1 year;

Stage 2 - Financial instruments that have factors indicating an increase in credit risk, but do not have impairment indicators for which expected credit losses are calculated for the entire life of the financial instrument;

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

In case of significant increase in credit risk as of the previous reporting date, compared with the date of initial recognition, and financial asset was assigned to Stage 2 and as at the reporting date there are no factors indicating a significant increase in credit risk compared to initial recognition, the asset is assigned to Stage 1 expected credit losses are determined on a 12-month horizon and provision is recovered.

Purchased or originated credit-impaired financial assets are not transferable from Stage 3.

The Group considers increase in credit risk as at the reporting date as significant if there are, among other things, the following signs: overdue debt on a financial asset for a period exceeding 30 days for individuals, as well as a significant deterioration in the counterparty credit rating for legal entities and individual entrepreneurs and financial institutions.

The main factors of impairment and classification to Stage 3 are following: overdue debt for more than 90 days, decrease of credit rating to level E for corporate customers, initiation of economic litigation (bankruptcy) proceedings against the customer by the economic court.

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

$ECL = PD \times LGD \times EAD$,

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

LGD - loss given default. This value is a calculated estimate of losses arising in the event of a default at a certain point in time.

EAD - exposure at default.

Estimation of the probability of default (PD) of legal entities is based on internal credit ratings. After determining the internal credit rating at the reporting date and the previous reporting date, a migration matrix is formed. The resulting migration matrix is adjusted taking into account the influence of macroeconomic factors. Any indicators that demonstrate the closest relation with the level of default can be used as a macroeconomic indicator.

Estimation of the probability of default (PD) of individuals is determined by dividing the credit debt of individuals into homogeneous loan portfolios by overdue periods: not past due, from 1 to 30 days, from 31 to 60 days, from 61 to 90 days, over 90 days. After dividing the credit debt of individuals into portfolios of homogeneous loans, a migration matrix is formed, which is adjusted for macroeconomic factors.

Estimation of the probability of default of financial institutions is based on external credit ratings established by external rating agencies. To obtain annual estimates of the probability of default (PD) for financial institutions, the Group uses one-year rating agencies migration matrices. One-year migration matrix is adjusted for macroeconomic factors, similar to the approach used for corporate customers. Herewith, the macroeconomic factor of the respective country of registration of financial institution is used.

LGD coefficient is calculated based on historical information. The percentage of receipts from defaulted loans is analyzed. Proceeds from sale of collateral are not included in calculation. For future periods for which there is not enough historical information to calculate loss given default coefficient the level of coefficient is set at 100%. LGD coefficient for financial institutions is equal 100%.

When calculating the expected credit losses for legal entities cash flows are taken into account not only from the repayment of loan, but also from the possible realization of collateral. Calculating the collateral adequacy on loans to legal entities, as well as guarantees of the Group, the expected sale price of the collateral is determined. For this purpose, the market value of the property taking into account the forecasts for its change until the expected sale date of the property is determined.

To calculate the expected credit losses on receivables, a simplified approach is used, according to which the provision for expected credit losses is recognized in an amount equal to the expected credit losses over the entire life of the financial instrument. The total amount of expected credit losses is calculated as the sum of the values of expected credit losses of three portfolios of receivables formed by the type of counterparty segment (financial institutions, corporate customers and individuals) and based on the number of days overdue. For receivables, for which evidence of impairment is identified, the provision is assumed to be 100% of the outstanding amount.

For purchased or originated credit-impaired financial assets as at the date of initial recognition the Group takes into account expected credit losses when calculating the effective interest rate adjusted for credit risk, and no provision for impairment of such financial assets is formed. On subsequent reporting dates for the calculation of provision for impairment the Group estimates only the cumulative changes in the value of expected credit losses over the entire life of the asset.

Repossessed collateral

Repossessed collateral represents non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognized at fair value when acquired and included in inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets.

Credit-related commitments

The Group issues financial guarantees and commitments to provide loans. Financial guarantee agreement - an agreement under which the issuing party shall make certain payments to the counterparty to compensate for the loss incurred by the latter as a result of the fact that the debtor specified in the contract was not able to make payment within the terms established by the original or revised terms of the debt instrument.

At initial recognition, the Group evaluates the financial guarantee agreement at fair value.

After initial recognition, a financial guarantee agreement is measured at the higher of the estimated loss provision; and the initially recognized amount less, where appropriate, the total recognized income.

Investment securities measured at fair value through other comprehensive income

This category of securities includes investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or prices for shares.

Investment securities at fair value through other comprehensive income are accounted at fair value. Interest income on debt securities measured at fair value through other comprehensive income is calculated using the effective interest method and recognized in profit or loss for the year. Dividends on equity instruments measured at fair value through other comprehensive income are recognized in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year.

Financial instruments measured at amortized cost

These financial instruments include debt investment securities for which the Group has no intention to sell them immediately or in the near future, as well as loans and receivables. These financial instruments are accounted at amortized cost.

Provision for expected credit losses on financial asset

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

Provision for expected credit losses on financial assets that are measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

Sale and repurchase agreements

Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. In such cases, they are classified as "repo receivables". The corresponding liabilities are presented within amounts due to financial institutions.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as "Amounts due from financial institutions and the National Bank of the Republic of Belarus" or "Loans to customers", as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Offsetting

Offsetting of financial assets and liabilities with the reflection of only net balances in the statement of financial position is effected only if there is a legally enforceable right to offset and the intention to sell the asset concurrently with the settlement of the obligation. The right to set-off should not be due to an event in the future and should be valid in all of the following circumstances:

- in the ordinary course of business;
- in case of default; and
- in case of insolvency or bankruptcy of the organization, or any of the counterparties.

These conditions are generally not met for master netting agreements and the related assets and liabilities are fully reflected in the statement of financial position.

Property and equipment and intangible assets

Property and equipment as well as intangible assets are recorded at initial cost adjusted for inflation less accumulated depreciation and amortization and impairment loss. Depreciation and amortization is accrued using a straight-line basis. The annual rates of amortization are:

Buildings and constructions	1%-20%
Computer facilities	12,5%-25%
Transport vehicles	14,2%-25%
Other equipment	2%-33,3%
Intangible assets	10%-33,3%

Profit or loss on disposals of property and equipment and intangible assets is recognized in the statement of comprehensive income in the period of disposal.

Utility and maintenance costs are recognized in the statement of comprehensive income as incurred. Capital repairs of property and equipment are added to historical cost of property and equipment. Useful lives, residual values and depreciation methods are reviewed annually.

Intangible assets of the Group are computer software and licenses.

Investment property

Investment property is an item used to obtain lease payment, capital increment. Investment property items are initially accounted at the cost of acquisition, including acquisition costs.

Further the investment property items are recorded at their initial cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight-line basis. The annual depreciation rate is 1-2 percent.

Non-current assets held for sale

Non-current assets, which may include both non-current and current assets, are classified in the statement of financial position as "Non-current assets held for sale" if their carrying amount will be recovered principally through a sale transaction, including loss of control of a subsidiary holding the assets, rather than through continuing use.

Assets are reclassified when all of the following conditions are met:

a) the assets are available for immediate sale in their present condition;

b) the Group's management approved and initiated an active program to locate a buyer;

c) the assets are actively marketed for sale at a reasonable price;

d) the sale is expected within one year and

e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Income and expenses recognition

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method. The effective interest method is the method of calculating the amortized cost of a financial asset or financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. Effective interest rate is the interest rate that discounts estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the current value of a financial asset or liability.

The calculation of the effective interest rate includes all commissions received and paid, transaction costs, and discounts or premiums that form an integral part of the effective interest rate. Transaction costs are additional costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Fee and commission income and expenses which form an integral part of an effective interest rate on a financial asset or liability are accounted at its determination.

Other fee and commission income and expenses which are primarily represented by commissions for services and transactions are recognized while providing or receiving the services.

Bonuses and discounts on variable interest instruments are amortized to the date of the next revision of interest, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables not set depending on market rates. Such premiums or discounts are amortized over the whole expected life of the instrument.

Income tax

Current income tax expense is calculated in accordance with the legislation of the Republic of Belarus.

Deferred tax assets and liabilities are calculated for all temporary differences using the balance sheet liability method. Deferred income tax is provided for all temporary differences arising between the tax base of assets and liabilities and their carrying amount for the purposes of the consolidated financial statements, unless the deferred income tax arises from the initial recognition of goodwill, an asset or liability for an operation that is not an association of organizations, and which does not affect either accounting profit, or taxable profit or loss at the time of implementation.

Deferred tax assets are recorded only to the extent that it is probable that future taxable profit will be available against which the temporary differences that reduce the tax base may be offset. Deferred tax assets and liabilities are measured at tax rates that will be applied during the period of the asset's sale or settlement of the liability, based on legislation that has entered into force or actually entered into force at the balance sheet date.

In addition, Belarus has various operating taxes applicable to the Group's operations. These taxes are included in operating expenses.

Impairment of non-financial assets

The carrying amount of the Group's assets, except for investment property in case of its accounting at fair value, as well as deferred tax assets, are reviewed at each balance sheet date for impairment. If any such indication exists, the recoverable amount of the assets is determined. For intangible assets with indefinite useful lives and intangible assets not yet available for use, the recoverable amount is estimated annually regardless of any indications of impairment.

The recoverable amount of an asset is the higher of net selling price of assets and the value of their use. In assessing value in use, the estimated future cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to a particular asset.

Impairment losses are recognized when the current value of an asset or cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in profit or loss.

At the end of each reporting period, the Group assesses whether there are indicators that an impairment loss recognized for assets in prior periods no longer exist or decrease. Impairment losses recognized in prior periods for an asset shall be recovered only if since the last recognition of impairment loss there has been a change in the estimates used to determine the asset's recoverable amount. The increased carrying amount of an asset attributable to the reversal of impairment loss shall not exceed the carrying amount that would have been determined (net of depreciation), if any impairment loss for that asset in prior years was not recognized.

Provisions

Provisions are recognized in the financial statements when the Group has liabilities (legal or arising out of the business practice), arising prior to the reporting date. At the same time there is a high probability that the enforcement of these liabilities of the Group will require an outflow of economic resources, and the amount of the liabilities can be estimated with reasonable accuracy.

Provisions are recognized in the amount representing the best estimate of the expenditure required to settle the liability at the balance sheet date, based on current market assessments of the time value of money and, where appropriate, the risks specific to the liabilities.

Current employee benefits

Current employee benefits are measured on an undiscounted value and are expensed in the period in which the related services are rendered, or work is performed.

According to the requirements of the legislation of the Republic of Belarus the Group makes mandatory payments to the Social Security Fund of the Ministry of Labour and Social Protection of the Republic of Belarus from the salary of its employees.

The Group has no other pension obligations to employees, retirees, as well as to former employees.

Equity

Ordinary shares

Ordinary shares are classified as equity. Accumulated costs, net of the tax effect, directly related to the issue of ordinary shares, are considered as equity-reducing costs.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Information on dividends is disclosed in the consolidated financial statements if they were recommended before the reporting date, or recommended or declared after the reporting date but before the consolidated financial statements are approved for issue.

Presentation of statement of financial position in order of liquidity

Assets and liabilities of the Group are presented in the statement of financial position in order of liquidity.

Operating segments

The Management of the Group does not evaluate the results of operations in the context of segments and does not take decisions based on such a division.

5. Material estimates and professional judgments in applying accounting policies

The Group makes accounting estimates and assumptions that affect the reported amounts in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Accounting estimates and judgments are continually evaluated based on the Management's experience and other factors, including expectations of future events that are expected to be reasonable under the circumstances. In applying the accounting policies, the Management also uses professional judgments and estimates.

Professional judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amounts of assets and liabilities within the next financial year include the following:

Going Concern

The Management has prepared these consolidated financial statements on the basis of going concern. When making this judgment, the Management considered the Group's financial position, current intentions, profitability of operations and access to financial resources, as well as the Group's operating environment.

Provision for expected credit loss

The Group regularly analyses its loans, securities and receivables to assess impairment. The Management's judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In calculating these cash flows, the Group makes judgments about the borrower's financial situation and the net realizable value of collateral. These estimates are based on a range of assumptions and actual results may differ, resulting in future changes to the provision.

Evaluation of provision for expected credit losses (ECL) for financial assets measured at amortized cost and at fair value through other comprehensive income requires the use of complex models and significant assumptions regarding future economic conditions and the counterparty's credit behavior. The Bank applies judgments when assessing whether the counterparty's credit risk has increased significantly, forecasting the future economic situation, and choosing the appropriate model for estimating expected credit losses.

Determination of fair value

Determining the fair value of financial assets and liabilities for which there is no quoted market prices requires the use of valuation techniques as is described in the appropriate accounting policy (Note 4). For financial instruments that do not have an active market, determination of fair value is less objective and requires judgments based on liquidity, concentration, uncertainty of market factors, assumptions in determining the cost and other factors affecting the specific instrument.

Deferred tax assets

Deferred tax assets are recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be offset. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profit together with future tax planning strategies.

Impairment of non-financial assets

The carrying amount of the Group's non-financial assets, except for deferred tax assets, is reviewed at each reporting date to determine any indication of impairment. If any such indication of impairment exists, the recoverable amount of an asset is estimated. The recoverable amount of other non- financial asset is the highest value of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash flows independently of the other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Useful lives of property and equipment

The Group reviews useful lives of property and equipment at least at each financial year-end. If expectations differ from previous estimates, changes are treated as changes in accounting estimates. These estimates may have a material impact on the carrying amounts of property and equipment and on depreciation recognized in the statement of profit or loss.

6. Adoption of new or 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 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 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 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 and 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.

7. 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 rouble savings of individuals in banks began to grow in the second half of 2021. In 2021 term rouble 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.

(in thousands of BYN)

8. Cash and cash equivalents

Cash and cash equivalents include the following positions:

	31 December 2021	31 December 2020
Current accounts with other banks	9,698	2,495
Cash on hand	2,024	1,534
Current accounts with the National bank of the Republic of Belarus (except for mandatory reserves placed in the National Bank of the Republic of Belarus)	947	3,227
Less provision for ECL	(303)	(82)
Total cash and cash equivalents	**12,366**	**7,174**

As at 31 December 2021, the largest balance of cash and cash equivalents on current accounts with other banks of the Group is funds on a correspondent account with a non-resident bank MB Bank JSC in the amount of BYN 6.599 thousand.

As at 31 December 2020, the largest balance of cash and cash equivalents on current accounts with other banks of the Group is funds on a correspondent account with a non-resident bank MB Bank JSC in the amount of BYN 1,290 thousand.

All cash and cash equivalents are assigned to Stage 1. The analysis of changes in estimated provision for ECL for the year is given below.

Provision for ECL as at 1 January 2021	**82**
Newly created or purchased	245
Derecognition as a result of disposal	(24)
Foreign exchange translation differences and other changes	-
Provision for ECL as at 31 December 2021	**303**

9. Amounts due from financial institutions and the National Bank of the Republic of Belarus

Amounts due from financial institutions and the National Bank of the Republic of Belarus at amortized cost comprise:

	31 December 2021	31 December 2020
Balances on current accounts with other banks	159	157
Mandatory reserves placed in the National Bank of the Republic of Belarus	77	58
Term interbank loans granted to non-resident banks	9,895	8,840
Total amounts due from financial institutions and the National Bank of the Republic of Belarus	**10,131**	**9,055**
Less provision for ECL	(10,054)	(8,997)
Total amounts due from financial institutions and the National Bank of the Republic of Belarus	**77**	**58**

(in thousands of BYN)

Concentration of amounts due from financial institutions and the National Bank of the Republic of Belarus

As at 31 December 2021 amounts due from financial institutions and the National Bank of the Republic of Belarus include a loan provided to a shareholder in the amount of BYN 9,895 thousand.

As at 31 December 2020 amounts due from financial institutions and the National Bank of the Republic of Belarus include a loan provided to a shareholder in the amount of BYN 8.840 thousand.

The tables below provide an analysis of changes in the carrying amount and related valuation provisions for ECL for the year ended 31 December 2021 and 31 December 2020:

Amounts due from financial institutions and the National Bank of the Republic of Belarus	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2021	**58**	**-**	**-**	**8,997**	**9,055**
Newly created or purchased				1,137	**1,137**
Derecognition as a result of disposal	2	-	-	-	**2**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Effect of other movements in gross carrying amount	17	-	-	(80)	**(63)**
As at 31 December 2021	**77**	**-**	**-**	**10,054**	**10,131**

Amounts due from financial institutions and the National Bank of the Republic of Belarus	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2021	**-**	**-**	**-**	**8,997**	**8,997**
Newly created or purchased				1,057	**1,057**
Derecognition as a result of disposal	-	-	-	-	**-**
Transfers to Stage 1					
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	-	-	**-**
Effect of changes in exchange rate and other changes	-	-	-	-	-
As at 31 December 2021	**-**	**-**	**-**	**10,054**	**10,054**

(in thousands of BYN)

Amounts due from financial institutions and the National Bank of the Republic of Belarus	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2020	**2,411**	-	-	**321**	**2,732**
Newly created or purchased	335	-	-	8,933	**9,268**
Derecognition as a result of disposal	(2,350)	-	-	(199)	**(2,549)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	(338)	-	-	(58)	**(396)**
As at 31 December 2020	**58**	-	-	**8,997**	**9,055**

Amounts due from financial institutions and the National Bank of the Republic of Belarus	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2020	-	-	-	**321**	**321**
Newly created or purchased	-	-	-	8,875	**8,875**
Derecognition as a result of disposal		-	-	(199)	**(199)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	-	-	-	-	-
As at 31 December 2020	-	-	-	**8,997**	**8,997**

10. Securitized loans

Securitized loans at amortized cost comprise:

	31 December 2021	**31 December 2020**
Funds provided to resident banks on repo transactions	91,008	79,060
Total securitized loans	**91,008**	**79,060**
Less provision for ECL	(1,050)	(74)
Total amounts due from financial institutions and the National Bank of the Republic of Belarus	**89,958**	**78,986**

Concentration of securitized loans

As at 31 December 2021 securitized loans include funds of MTBank CJSC provided to banks of the Republic of Belarus under repo transactions excessing 10% of the Group's capital.

As at 31 December 2020 securitized loans include funds provided to banks of the Republic of Belarus under repo transactions excessing 10% of the Group's capital (MTBank CJSC, Paritetbank OJSC).

Securitized loans	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2021	**79,060**	-	-	-	**79,060**
Newly created or purchased	91,008	-	-	-	**91,008**
Derecognition as a result of disposal	(79,060)	-	-	-	**(79,060)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	-	-	-	-	-
As at 31 December 2021	**91,008**				**91,008**

(in thousands of BYN)

Securitized loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	**74**	-	-	-	**74**
Newly created or purchased	1,050	-	-	-	**1,050**
Derecognition as a result of disposal	(74)	-	-	-	**(74)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	-	-	-	-	-
As at 31 December 2021	**1,050**	-	-	-	**1,050**

Securitized loans	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	**65,161**	-	-	-	**65,161**
Newly created or purchased	79,060	-	-	-	**79,060**
Derecognition as a result of disposal	(65,161)	-	-	-	**(65,161)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	-	-	-	-	-
As at 31 December 2020	**79,060**	-	-	-	**79,060**

Securitized loans	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	**612**	-	-	-	**612**
Newly created or purchased	74	-	-	-	**74**
Derecognition as a result of disposal	(612)	-	-	-	**(612)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	-	-	-	-	-
As at 31 December 2020	**74**	-	-	-	**74**

11. Loans to customers

Client	31 December 2021	31 December 2020
Loans to legal entities	12,106	15,725
Loans to individuals	1,157	1,299
Total loans to customers	**13,263**	**17,024**
Less provision for ECL	-	(4,651)
Total loans to customers	**13,263**	**12,373**

Analysis of loans to legal entities by industries as at 31 December 2021 and 31 December 2020 is presented below:

Industries	31 December 2021	31 December 2020
Services and trade	8,361	7,222
Construction and real estate	3,600	8,503
Finance lease	145	-
Individuals	1,157	1,299
Less provision for ECL	-	(4,651)
Total loans to customers	**13,263**	**12,373**

(in thousands of BYN)

The tables below provide an analysis of changes in the carrying amount and the corresponding estimated provisions for ECL for the year ended 31 December 2021 and 31 December 2020 for loans to legal entities.

Loans to legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2021	**10,821**	-	**4,904**	-	**15,725**
Newly created or purchased	1,907	-	-	-	**1,907**
Derecognition as a result of disposal	(886)	-	(4,904)	-	**(5,790)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	264	-	-	-	**264**
As at 31 December 2021	**12,106**		**-**	**-**	**12,106**

Loans to legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2021			**4,651**		**4,651**
Newly created or purchased	-	-	-		-
Derecognition as a result of disposal	-	-	(4,651)		**(4,651)**
Transfers to Stage 1	-	-	-		-
Transfers to Stage 2	-	-	-		-
Transfers to Stage 3	-	-	-		-
Effect of changes in exchange rate and other changes	-	-	-		-
As at 31 December 2021	**-**	**-**	**-**		**-**

Loans to legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2020	**1,855**	-	**4,914**	-	**6,769**
Newly created or purchased	10,040	-	-	-	**10,040**
Derecognition as a result of disposal	(1,074)	-	(10)	-	**(1,084)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	-	-	-	-	-
As at 31 December 2020	**10,821**	**-**	**4,904**	**-**	**15,725**

Loans to legal entities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2020	-	-	**4,660**	-	**4,660**
Newly created or purchased	-	-	-	-	-
Derecognition as a result of disposal	-	-	(9)	-	**(9)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	-	-	-	-	-
As at 31 December 2020	**-**	**-**	**4,651**	**-**	**4,651**

(in thousands of BYN)

The table below shows an analysis of loans to legal entities with overdue payments by overdue class as of 31 December 2021.

Loans to legal entities	**Loans before deduction of provision for ECL**	**Provision for ECL**	**Loans before deduction of provision for ECL**	**Ratio of provision amount to loan amount before deduction of ECL, %**
Not past due	12,106	-	12,106	-
1-30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
More than 90 days	-	-	-	-
Total loans to legal entities	**12,106**	**-**	**12,106**	**-**

The table below shows an analysis of loans to legal entities with overdue payments by overdue class as of 31 December 2020.

Loans to legal entities	**Loans before deduction of provision for ECL**	**Provision for ECL**	**Loans before deduction of provision for ECL**	**Ratio of provision amount to loan amount before deduction of ECL, %**
Not past due	10,821	-	10,821	-
1-30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
More than 90 days	4,904	4,651	253	95
Total loans to legal entities	**15,725**	**4,651**	**11,074**	**95**

(in thousands of BYN)

The tables below provide an analysis of changes in the carrying amount and the corresponding estimated provisions for ECL for the year ended 31 December 2021 and 31 December 2020 for loans to individuals.

Loans to individuals	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2021	**1,299**	-	-	-	**1,299**
Newly created or purchased	448	-	-	-	448
Derecognition as a result of disposal	(141)	-	-	-	(141)
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	(449)	-	-	-	(449)
As at 31 December 2021	**1,157**	-	-	-	**1,157**

Loans to individuals	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2021	**1**	-	-	-	**1**
Newly created or purchased	-	-	-	-	-
Derecognition as a result of disposal	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	(1)	-	-	-	(1)
As at 31 December 2021	-	-	-	-	-

Loans to individuals	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2020	**1,088**	-	-	-	**1,088**
Newly created or purchased	542	-	-	-	**542**
Derecognition as a result of disposal	(124)	-	-	-	**(124)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-			-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	(207)	-	-	-	**(207)**
As at 31 December 2020	**1,299**	-	-	-	**1,299**

Loans to individuals	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2020	**1**	-	-	-	**1**
Newly created or purchased		-	-	-	
Derecognition as a result of disposal	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	(1)	-	-	-	**(1)**
As at 31 December 2020	-	-	-	-	-

(in thousands of BYN)

The table below shows an analysis of loans to individuals with overdue payments by overdue class as of 31 December 2021.

Loans to individuals	Loans before deduction of provision for ECL	Provision for ECL	Loans before deduction of provision for ECL	Ratio of provision amount to loan amount before deduction of ECL, %
Not past due	1,157	-	-	1,157
1-30 days		-	-	
31-60 days	-	-	-	
61-90 days	-	-	-	
More than 90 days		-	-	
Total loans to individuals	**1,157**	**-**	**-**	**1,157**

The table below shows an analysis of loans to individuals with overdue payments by overdue class as of 31 December 2020.

Loans to individuals	Loans before deduction of provision for ECL	Provision for ECL	Loans before deduction of provision for ECL	Ratio of provision amount to loan amount before deduction of ECL, %
Not past due	1,299	-	1,299	-
1-30 days	-	-	-	-
31-60 days	-	-	-	-
61-90 days	-	-	-	-
More than 90 days	-	-	-	-
Total loans to individuals	**1,299**	**-**	**1,299**	**-**

The Group requires collateral in order to mitigate the credit risk. The amount and type of the collateral depends on an assessment of the credit risk of the counterparty.

The major types of collateral for corporate lending are collaterals of real estate, inventory. When providing loans to individuals the major type is the collateral of real estate (in general residential property).

As of 31 December 2021 and 31 December 2020, the Group has no outstanding loans to customers granted to one borrower exceeding 10% of the Group's capital.

(in thousands of BYN)

12. Securities

Securities comprise the following positions:

	31 December 2021	31 December 2020
Debt securities measured at fair value through other comprehensive income		
Bonds issued by republican bodies of state management	2,427	2,542
Bonds issued by banks of the Republic of Belarus	28,134	36,285
Total securities measured at fair value through other comprehensive income	**30,561**	**38,827**
Debt securities measured at amortized cost		
Bonds of non-bank financial organizations of the Republic of Belarus	529	540
Total securities measured at amortized cost	**31,090**	**39,367**

The analysis of changes in the carrying amount and the corresponding estimated reserves for the ECL in relation to securities measured at FVOCI for the year ended 31 December 2021 is presented below.

Securities measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2021	**38,827**	-	-	-	**38,827**
Newly created or purchased	13,554	-	-	-	**13,554**
Derecognition as a result of disposal	(20,369)	-	-	-	**(20,369)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	(1,451)	-	-	-	**(1,451)**
As at 31 December 2021	**30,561**	-	-	-	**30,561**

Securities measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	**1,151**	-	-	-	**1,151**
Newly created or purchased	359,	-	-	-	**359**
Derecognition as a result of disposal	(588)	-	-	-	**(588)**
Transfers to Stage 1	-	-		-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	(44)	-	-	-	**(44)**
As at 31 December 2021	**878**	-	-	-	**878**

(in thousands of BYN)

The analysis of changes in the carrying amount and the corresponding estimated reserves for the ECL in relation to securities measured at FVOCI for the year ended 31 December 2020 is presented below.

Securities measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2020	**46,153**	-	-	-	**46,153**
Newly created or purchased	21,316				**21,316**
Derecognition as a result of disposal	(30,770)	-	-	-	**(30,770)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	2,128	-	-	-	**2,128**
As at 31 December 2020	**38,827**	-	-	-	**38,827**

Securities measured at fair value through other comprehensive income	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2020	434	-	-	-	**434**
Newly created or purchased	699	-	-	-	**699**
Derecognition as a result of disposal	(289)	-	-	-	**(289)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	307	-	-	-	**307**
As at 31 December 2020	**1,151**	-	-	-	**1,151**

The analysis of changes in the carrying amount and the corresponding estimated reserves for the ECL in relation to securities measured at amortized cost for the year ended 31 December 2021 is presented below.

Securities measured at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
Gross carrying amount as at 1 January 2021	594	-	-	-	**594**
Newly created or purchased		-	-	-	-
Derecognition as a result of disposal	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	(7)	-	-	-	**(7)**
As at 31 December 2021	**587**	-	-	-	**587**

Securities measured at amortized cost	Stage 1	Stage 2	Stage 3	POCI	Total
ECL as at 1 January 2021	54	-	-	-	**54**
Newly created or purchased	-	-	-	-	-
Derecognition as a result of disposal	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	4	-	-	-	**4**
As at 31 December 2021	**58**	-	-	-	**58**

(in thousands of BYN)

The analysis of changes in the carrying amount and the corresponding estimated reserves for the ECL in relation to securities measured at amortized cost for the year ended 31 December 2020 is presented below.

Securities measured at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Gross carrying amount as at 1 January 2020	-	-	-	-	-
Newly created or purchased	594	-	-	-	**594**
Derecognition as a result of disposal	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of other movements in gross carrying amount	-	-	-	-	-
As at 31 December 2020	**594**	-	-	-	**594**

Securities measured at amortized cost	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
ECL as at 1 January 2020	-	-	-	-	-
Newly created or purchased	54	-	-	-	**54**
Derecognition as a result of disposal	-	-	-	-	-
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	-	-	-	-	-
As at 31 December 2020	**54**	-	-	-	**54**

During 2021 and 2020 the Bank carried out transactions with government bonds in foreign currency, bonds of banks of the Republic of Belarus, a non-bank financial institution.

As at 31 December 2021 the Group placed funds in bonds issued by the Ministry of Finance, as well as in bonds of resident banks (MTBank CJSC, ASB Belarusbank OJSC). As at 31 December 2021, the Group has no investments in securities purchased from one issuer exceeding 10% of the Group's capital.

As at 31 December 2020 the Group placed funds in bonds issued by the Ministry of Finance, as well as in bonds of resident banks (MTBank CJSC, ASB Belarusbank OJSC, BNB-Bank OJSC, Idea Bank CJSC, Development Bank of the Republic of Belarus OJSC). Investments in securities of ASB Belarusbank OJSC and MTBank CJSC exceed 10% of the Group's capital.

(in thousands of BYN)

13. Property and equipment and intangible assets

The movements in property and equipment and intangible assets were as follows:

	Buildings and construc-tions	Computer equip-ment	Transport vehicles	Furniture and other	Intangible assets	Capital invest-ment	Right-of-use assets	Total
Initial cost	**3,438**	**522**	**235**	**653**	**1,425**	**776**	**15,**	**7,064**
As at 1 January 2021								
Proceeds in 2021	-	14	-	177	139	301	-	**631**
Transfer to other category	-	(4)	-	4	-	-	-	-
Transfer to investment property	-	-	-	-	-	**(682)**	-	**(682)**
Impairment	-	-	-	-	-	-	-	-
Disposal in 2021	-	(53)	(4)	(26)	(84)	**(330)**	**(15)**	**(512)**
As at 31 December 2021	**3,438**	**479**	**231**	**808**	**1,480**	**65**	**-**	**6,501**
Accumulated depreciation								
As at 1 January 2021	**(805)**	**(399)**	**(138)**	**(474)**	**(1,179)**	**-**	**(5)**	**(3,000)**
Accrual for 2021	(69)	(47)	(19)	(63)	(144)	-	(1)	**(343)**
Transfer to other category	-	4	-	(4)	-	-	-	-
Disposal in 2021		53	4	22	84		**6**	**169**
As at 31 December 2021	**(874)**	**(389)**	**(153)**	**(519)**	**(1,239)**	**-**	**-**	**(3,174)**
Residual value								
As at 1 January 2021	**2,633**	**123**	**97**	**179**	**246**	**776**	**10**	**4,064**
As at 31 December 2021	**2,564**	**90**	**78**	**289**	**241**	**65**	**-**	**3,327**

(in thousands of BYN)

	Buildings and construc-tions	Computer equip-ment	Transport vehicles	Furniture and other	Intangible assets	Capital invest-ment	Right-of-use assets	Total
Initial cost								
As at 1 January 2020	**16,800**	**464**	**235**	**593**	**1,278**	**28**	**45**	**19,443**
Proceeds in 2020	-	74	,,,,,,,,,,,-	91	157	762	-	**1,084**
Transfer to investment property	(13,362)	-	-	-	-	-	-	**(13,362)**
Impairment	-	-	-	-	-	-	-	-
Disposal in 2020	-	(16)	-	(31)	(10)	**(14)**	**(30)**	**(101)**
As at 31 December 2020	**3,438**	**522**	**235**	**653**	**1,425**	**776**	**15**	**7,064**
Accumulated depreciation	-	-	-	-	-	-	-	-
As at 1 January 2020	**(1,501)**	**(379)**	**(120)**	**(463)**	**(1,035)**	-	**(10)**	**(3,508)**
Accrual for 2020	(193)	(35)	(18)	(40)	(153)	-	(2)	**(441)**
Transfer to investment property	889	-	-	-	-	-	-	**889**
Disposal in 2020	-	15	-	29	9	-	7	**60**
As at 31 December 2020	**(805)**	**(399)**	**(138)**	**(474)**	**(1,179)**	-	**(5)**	**(3,000)**
Residual value	-	-	-	-	-	-	-	-
As at 1 January 2020	**15,299**	**85**	**115**	**130**	**243**	**28**	**35**	**15,935**
As at 31 December 2020	**2,633**	**123**	**97**	**179**	**246**	**776**	**10**	**4,064**

14. Investment property

	31 December 2021 Investment property	31 December 2021 Capital investments	31 December 2021 Total	31 December 2020 Investment property
Initial cost				
Balance as at 1 January	**45,829**	**-**	**45,829**	**32,635**
Proceeds	967	1,070	2,037	518
Transfer from property and equipment	-	-	-	13,362
Impairment	-	-	-	(686)
Disposal	(11)	(967)	(978)	-
Balance as at 31 December	**46,785**	**103**	**46,888**	**45,829**
Accumulated amortization				
Balance as at 1 January	**(3,183)**	**-**	**(3,183)**	**(1,824)**
Accrual	(712)	-	(712)	(470)
Transfer from property and equipment			-	(889)
Balance as at 31 December	**(3,895)**	**-**	**(3,895)**	**(3,183)**
Residual value as at 31 December	**42,890**	**103**	**42,993**	**42,646**

The Group classifies real estate objects received as compensation for previously granted loans, encumbered by lease agreements as investment property.

Investment property items are accounted at cost of acquisition, including acquisition costs (initial cost) less accumulated amortization and impairment losses.

(in thousands of BYN)

As at 31 December 2021 and 31 December 2020, the Group's Management estimates the fair value of investment property items to be approximately equal to their book value.

15. Income tax

The Group accrues taxes based on tax accounting, which is maintained in accordance with the tax legislation of the Republic of Belarus, which may differ from International Financial Reporting Standards.

Due to the fact that some types of expenses are not accounted for tax purposes, as well as due to the presence of non-taxable income, the Group has certain permanent tax differences.

During the periods ended 31 December 2021 and 31 December 2020, the republican tax rate for Belarusian banks and companies was 25%.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amount of assets and liabilities for the purposes of the consolidated financial statements and the amount determined for tax purposes.

The income tax refund consists of the following items:

	Year ended 31 December 2021	Year ended 31 December 2020
Expense / (income) for current income tax	(298)	(41)
Expense / (income) for deferred income tax	(1,156)	1,129
Total	**(1,454)**	**1,088**

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

	31 December 2021	31 December 2020
Deductible temporary differences:		
- cash and cash equivalents	*300*	*82*
- long-term assets held for sale	-	*218*
- investment property	*3,489*	*3,338*
- property and equipment and intangible assets	*8,447*	*8,083*
- amounts due from financial institutions and the National Bank of Republic of Belarus	*1,900*	*6,861*
- securitized loans	*601*	-
- securities	*271*	*139*
Total deductible temporary differences	**15,008**	**18,721**
Deferred tax asset at the tax rate of 25%	**3,752**	**4,680**
Taxable temporary differences:		
- loans to customers	*(2,461)*	*(2,343)*
- other assets and liabilities	*(1,280)*	*(53)*
- amounts due from financial institutions and the National Bank of Republic of Belarus	-	-
- securitized loans	-	(314)
Total taxable temporary differences	**(3,741)**	**(2,710)**
Deferred tax liability at the tax rate 25%	**(935)**	**(677)**
Total asset on deferred income tax	**2,817**	**4,003**

(in thousands of BYN)

The following is a comparison of the theoretical tax expense with the actual tax expense for the years ended 31 December 2021 and 31 December 2020.

	31 December 2021	31 December 2020
Profit/(loss) before taxation	**6,818**	**2,315**
Theoretical recovery of income tax at the statutory rate - 25% / (Estimated value of income tax at the statutory rate - 25%)	(1,704)	(579)
Tax effect of income / (expenses) not participating in taxation	250	1,667
Total income tax expense	**1,454**	**1,088**

Information on the movement of deferred income tax is as follows:

	31 December 2021	31 December 2020
Deferred tax at the beginning of the year	**4,003**	**2,993**
Recognised in profit and loss	(1,156)	1,129
Recognised in other comprehensive income	(30)	(119)
Total deferred tax asset at the end of the year	**2,817**	**4,003**

16. Other assets and liabilities

Other assets comprise:

	31 December 2021	31 December 2020
Other financial assets measured at amortized cost		
Accrued income	244	95
Settlements with other debtors	168	164
ECL provisions for receivables and accrued income	(126)	(96)
Total other financial assets	**286**	**163**
Other non-financial assets		
Property received in repayment of credit debts	1,044	1,455
Settlements with suppliers and contractors	172	355
Taxes other than income tax	898	3,997
Prepayments for property and equipment and construction	-	8
Materials	14	15
Provision for reduction of inventory cost	(585)	(670)
Total other non-financial assets	**1,543**	**5,160**
Total other assets	**1,829**	**5,323**

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

Other financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
ECL for 1 January 2021		**24**	**72**	-	**96**
Newly created or purchased	-	-	61	-	**61**
Derecognition as a result of disposal	-	(24)	(9)	-	**(33)**
Transfers to Stage 1	-	-	-	-	-
Transfers to Stage 2	-	-	-	-	-
Transfers to Stage 3	-	-	-	-	-
Effect of changes in exchange rate and other changes	-	-	2	-	**2**
As at 31 December 2021	**-**	**-**	**126**	**-**	**126**

(in thousands of BYN)

The analysis of changes in the ECL for other financial assets for the year ended 31 December 2020 is presented below:

Other financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
ECL for 1 January 2020	**-**	**22**	**41**	**-**	**63**
Newly created or purchased	-	4	46	-	**50**
Derecognition as a result of disposal	-	(2)	(17)	-	**(19)**
Transfers to Stage 1	-	-	-	-	**-**
Transfers to Stage 2	-	-	-	-	**-**
Transfers to Stage 3	-	-	(1)	-	**(1)**
Effect of changes in exchange rate and other changes	-	-	3	-	**3**
As at 31 December 2020	**-**	**24**	**72**	**-**	**96**

The maximum credit risk for other financial assets as at 31 December 2021 and as at 31 December 2020 is equal to the net value of these assets reflected in the Consolidated Statement of Financial Position as part of other assets.

Other liabilities include the following:

	31 December 2021	31 December 2020
Other financial liabilities measured at amortized cost		
Settlements with other debtors	129	788
Settlements with suppliers	87	100
Long-term lease liabilities	-	10
Accrued expenses	25	26
Settlements with the personnel labour remuneration	12	9
Total other financial liabilities	**253**	**933**
Other non-financial liabilities		
Liabilities on other taxes, except for income tax	104	4,138
Provisions for vacation pay	94	100
Total other non-financial liabilities	**198**	**4,238**
Total other liabilities	**451**	**5,171**

17. Amounts due to financial institutions

Amounts due to financial institutions measured at amortized cost comprise:

	31 December 2021	31 December 2020
Correspondent accounts of other banks	11,914	9,502
Total amounts due to financial institutions	**11,914**	**9,502**

As at 31 December 2021, the Group's largest share in the funds of financial institutions was balances on correspondent accounts attracted from the shareholder Bank Tejarat in the amount of BYN 9,078 thousand.

As at 31 December 2020, the Group's largest share in the funds of financial institutions was balances on correspondent accounts attracted from the shareholder Bank Tejarat in the amount of BYN 8,777 thousand.

(in thousands of BYN)

18. Amounts due to customers

Amounts due to customers measured at amortized cost comprise:

	31 December 2021	31 December 2020
Current accounts of legal entities	2,357	2,104
Current accounts of individuals	73	80
Total amounts due to customers	**2,430**	**2,184**

Breakdown of amounts due to customers by industry:

	31 December 2021	31 December 2020
Trade	518	382
Production	1,571	1,600
Individuals	73	81
Representative offices of foreign companies	2	34
Construction	43	29
Finance leasing	28	-
Other	195	58
Total amounts due to customers	**2,430**	**2,184**

19. Share capital

The share capital of the Group is divided into ordinary shares. The nominal value of one share (historical) is 1 Belarusian kopeck. The total number of ordinary shares is 6,165,049.

	Number of ordinary shares	Nominal value of ordinary shares	Adjustment for inflation	Total share capital
As at 31 December 2021, 2020	6,165,049	0.01	127,325	**188,975**

The structure of the Bank's shareholders:

	31 December 2021	31 December 2020
Tejarat Bank, Islamic Republic of Iran	99.89%	99.89%
Belarusian and English Joint Venture Lada Garant CJSC, Republic of Belarus	0.11%	0.11%
Total	**100%**	**100%**

The share premium is the difference between the cost of the paid shares issued by the Bank and their nominal value.

As of 31 December 2021 and 31 December 2020, all ordinary shares are fully paid, give the right to one vote, as well as the right to receive dividends and participate in their assets.

In accordance with IAS 29, the share capital of the Bank was recalculated taking into account the purchasing power of the BYN as of 31 December 2014 and amounted to BYN 188,975 thousand.

The share premium is the difference between the cost of the paid shares issued by the Bank and their nominal value. As of 31 December 2021 and 31 December 2020, the amount of share premium was BYN 61 thousand.

(in thousands of BYN)

20. Commitments and contingent liabilities

Loan commitments

In the course of its business in order to address the clients' needs the Bank uses financial instruments, which do not meet recognition criteria for the statement of financial position. These instruments include commitments on loans, guarantees issued and similar commitments, involving varying degrees of credit risk.

The Bank's maximum exposure related to contingent financial liabilities and loan commitments, if the other party fails to fulfill its contractual obligations and all counterclaims and collateral lose value, is equal to the contractual amount of those instruments.

The Bank uses the same credit policy for contingent liabilities, as it does for financial instruments recognized in the statement of financial position.

Loan commitments of the Group comprise:

	31 December 2021	31 December 2020
Loan commitments		
Commitments to provide funds	409	263
Less provision for loan commitments	-	-
Total loan commitments	**409**	**263**

Pension payments

The Bank's employees receive pension in accordance with the law of the Republic of Belarus. As at 31 December 2021 and 31 December 2020, the Group has no obligations for additional payments, pension medical care, insurance, pension benefits for current or former employees to be accrued.

Legislation

Some provisions of the Belarusian economic and, in particular, tax legislation may have different interpretations and apply inconsistently. In addition, since Management's interpretation of legislation may differ from possible official interpretations, and compliance with legislation may be challenged by regulatory authorities this can lead to additional taxes, fines, and other preventive measures. The Management of the Group believes that the Group has made all necessary tax and other payments or charges. Supervisory authorities can check previous tax periods.

(in thousands of BYN)

21. Interest income and expense

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income on financial assets measured at fair value through other comprehensive income		
- securities	2,326	3,640
Interest income on financial assets measured at amortized cost		
- loans to customers	2,105	792
- amounts due from financial institutions	1,070	507
- securities	47	41
- other interest income	8,948	5,914
Total interest income	**14,496**	**10,894**
Interest expenses on financial liabilities measured at amortized cost		
- amounts due from financial institutions	-	(3)
- loans to customers	-	(2)
- other interest expense	(2)	(37)
Total interest expense	**(2)**	**(42)**
Net interest income	**14,494**	**10,852**

22. Fee and commission income and expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Fee and commission income		
- on transactions with clients	178	176
- on other transactions	2	1
Total fee and commission income	**180**	**177**
Fee and commission expenses		
- on opening and (or) keeping bank accounts	(34)	(84)
- on transactions with securities	(62)	(48)
- on transactions with bank payment cards	(4)	(4)
- on other transactions	(2)	-
Total fee and commission expenses	**(102)**	**(136)**
Net fee and commission expenses	**78**	**41**

23. Net foreign exchange income

	Year ended 31 December 2021	Year ended 31 December 2020
Income from foreign currency transactions	504	6,197
Expenses on foreign currency transactions	(1,204)	(1,441)
Total net income from transactions with foreign currency	**(700)**	**4,756**

	Year ended 31 December 2021	Year ended 31 December 2020
Trade transactions	(6)	525
Revaluation of foreign exchange items	(694)	4,231
Total net income from transactions with foreign currency	**(700)**	**4,756**

(in thousands of BYN)

24. Net income arising from financial instruments at fair value through other comprehensive income

	Year ended 31 December 2021	Year ended 31 December 2020
Income from foreign currency transactions	414	67
Expenses on foreign currency transactions	(461)	(532)
Total net income from transactions with foreign currency	**(47)**	**(465)**

25. Net other income

	Year ended 31 December 2021	Year ended 31 December 2020
Rental and lease payments	5,044	4,475
Net income from disposal of property and equipment and other property	(79)	159
Other operating income	15	258
Net other income	**4,980**	**4,892**

26. Operating expenses

	Year ended 31 December 2021	Year ended 31 December 2020
Staff expenses	(3,037)	(2,851)
Taxes other than on income tax	(2,138)	(1,969)
Depreciation expenses	(1,056)	(916)
Expenses for deductions to the Social Protection Fund	(878)	(811)
Software expenses	(646)	(619)
Repair and maintenance costs	(862)	(523)
Lease payments	(185)	(202)
Professional services expenses	(140)	(173)
Expenses on insurance	(93)	(83)
Protection expenses	(71)	(66)
Gifts, donations	(67)	(46)
Communications expenses	(130)	(26)
Transportation expenses	(17)	(12)
Hospitality	-	(1)
Marketing and advertising expenses	(4)	(1)
Other operating expenses	(367)	(1,343)
Total operating expenses	**(9,691)**	**(9,642)**

27. Risk management system

In order to ensure positive financial results in the presence of uncertainty in the conditions of operations, forecasting the occurrence of risk events and taking measures to exclude or reduce their negative consequences, the Group has established a system of risk management, which is a combination of risk management techniques, as well as organizational structure, strategy, policies, methodologies and procedures.

In accordance with the scale, market positions and structure of operations, the Group classifies the risks inherent in its activities, taking into account the materiality factor.

As part of unconditionally significant risks, the Group recognizes credit risk, liquidity risk, interest rate risk of the bank portfolio, market risks (interest and currency risks), operational risk, risk of loss of business reputation, strategic risk.

For the purpose of effective risk management, the Group has developed a system of authorities that allows to allocate responsibilities in this area between the Group's management bodies, committees, divisions and employees.

The subjects of the risk management system

The mandatory subjects of the risk management system, regardless of the type of risk, are: the Board of Directors, the Management Board, the Risk Committee, the Internal Audit Service, risk managers.

An obligatory subject of credit risk management systems, liquidity risk, interest rate risk of the bank portfolio and country risks is also the Financial Committee. The Credit Committee is an obligatory subject of the credit risk management system.

The Board of Directors is responsible for the overall approach to risk management, for the approval of the strategy and principles of risk management.

The responsibility of the Management Board is to monitor the risk management process in the Group.

The quality of risk management in the Bank is evaluated by the Internal Audit Service. The Internal Audit Service discusses the results of the inspections with management and presents its findings and recommendations to the Board of Directors.

Responsibilities for the organization of a risk management system are assigned to risk managers for managing certain types of risks.

Credit risk

Credit risk is the risk that the Group incurs losses as a result of non-fulfillment, untimely or incomplete performance by the debtor of financial obligations to the Group in accordance with the terms of the contract or legislation.

Identification and assessment of credit risk are carried out through the conduct of primary and secondary expertise of loan projects. The primary examination in respect of the borrower - a legal entity, an individual entrepreneur, an individual is performed by the credit service. The creditworthiness assessment is carried out on the basis of information available to the Group about the willingness of the borrower to fulfill obligations, the ability to repay the loan and the availability of security that allows the Group to compensate for losses in the event of default by the debtor of the terms of the loan agreement. The primary examination of the counterparty bank is based on an assessment of its financial condition and the ability to timely and fully returns the funds provided to it and is carried out by the economic service.

Secondary expertise is made by the risk manager when considering a loan project, in addition, the borrower and the financed transaction are monitored, and the limits for counterparty banks are monitored.

Determination of an acceptable level of credit risk is carried out jointly by the Credit and Finance Committees.

The credit committee, taking into account the risk manager's decision, makes a decision to grant a loan, as well as to approve limits for counterparty banks.

(in thousands of BYN)

The Finance Committee makes a decision on the classification of the debt by credit risk groups based on the risk manager's conclusion.

To manage credit risk, the Group uses such methods as diversification of the loan portfolio, provision for impairment, stress testing and others.

The maximum level of the Group's credit risk is reflected in the carrying value of financial assets in the statement of financial position. Reducing credit risk is carried out through collateral and other measures to improve the quality of loans.

Credit quality for cash and cash equivalents and amounts due from financial institutions

The table below presents an analysis of credit quality for cash and cash equivalents, amounts due from financial institutions, based on ratings assigned by the International Rating Agency S&P as of 31 December 2021.

As of 31 December 2021	**B**	**No rating assigned**	**Total**
Financial assets			
Cash and cash equivalents	2,827	9,539	**12,366**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	-	77	**77**
Securitized loans	15,328	74,630	**89,958**

The table below presents an analysis of credit quality for cash and cash equivalents, amounts due from financial institutions, based on ratings assigned by the International Rating Agency S&P as of 31 December 2020.

As of 31 December 2020	**B**	**No rating assigned**	**Total**
Financial assets			
Cash and cash equivalents	1,151	6,023	**7,174**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	-	58	**58**
Securitized loans	12,873	66,113	**78,986**

Credit quality on loans to customers

The table below presents an analysis of credit quality by classes of financial assets for loans to legal entities measured at amortized cost in consolidated statement of financial position, by stages of impairment by credit ratings as at 31 December 2021 and 31 December 2020.

	12-month expected credit losses (Stage 1)	**Lifetime expected credit losses (Stage 2)**	**Lifetime expected credit losses (Stage 3)**	**POCI**	**Total 31 December 2021**
Loans to legal entities					
A	4,170	-	-	-	**4,170**
B	3,736	-	-	-	**3,736**
C	4,200	-	-	-	**4,200**
E	-				-
Total gross carrying amount of loans to legal entities	**12,106**	-	-	-	**12,106**
Provision for ECL	-				-
Total loans to legal entities	**12,106**	-	-	-	**12,106**

(in thousands of BYN)

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	POCI	Total 31 December 2020
Loans to legal entities					
A	5,797	-	-	-	**5,797**
B	824	-	-	-	**824**
C	4,200	-	-	-	**4,200**
E	-	-	4,904	-	**4,904**
Total gross carrying amount of loans to legal entities	**10,821**	**-**	**4,904**	**-**	**15,725**
Provision for ECL	-	-	4,651	-	**4,651**
Total loans to legal entities	**10,821**	**-**	**253**	**-**	**11,074**

The table below presents an analysis of credit quality by financial asset classes for items related to loans to individuals measured at amortised cost, the consolidated statement of financial position, by stages of impairment by overdue.

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	POCI	Total 31 December 2021
Loans to individuals					
Not past due	1,157	-	-	-	**1,157**
1-30 days	-	-	-	-	-
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
More than 90 days	-	-	-	-	-
Total gross carrying amount of loans to individuals	**1,157**	**-**	**-**	**-**	**1,157**
Provision for ECL	-	-	-	-	-
Total loans to individuals	**1,157**	**-**	**-**	**-**	**1,157**

	12-month expected credit losses (Stage 1)	Lifetime expected credit losses (Stage 2)	Lifetime expected credit losses (Stage 3)	POCI	Total 31 December 2020
Loans to individuals					
Not past due	1,299	-	-	-	**1,299**
1-30 days	-	-	-	-	-
31-60 days	-	-	-	-	-
61-90 days	-	-	-	-	-
More than 90 days	-	-	-	-	-
Total gross carrying amount of loans to individuals	**1,299**	**-**	**-**	**-**	**1,299**
Provision for ECL	-	-	-	-	-
Total loans to individuals	**1,299**	**-**	**-**	**-**	**1,299**

Liquidity risk

Liquidity risk is the risk that the Group incurs losses as a result of its inability to ensure the timely discharge of its obligations in full.

The daily calculation and current monitoring of compliance with the liquidity ratios established by the National Bank of the Republic of Belarus is carried out by the risk monitoring service, as well as by the economic service.

In order to effectively manage liquidity risk, the Group has developed a system of powers that allows the division of responsibility in this area between the management bodies, committees, divisions and employees of the Group. The liquidity risk management authority is distributed among all entities of the risk management system.

The Finance Committee determines the degree of liquidity risk on the basis of analytical reports submitted by the risk manager at least once a quarter. The Management Board monitors the degree of liquidity risk on the basis of information provided by the Finance Committee. The Internal Audit Service forms its own judgment on the level of liquidity risk and the quality of management approaches to the issue of liquidity risk management. The Board of Directors assesses the effectiveness of the liquidity risk management system, based on information received from the Management Board and the Internal Audit Service.

To manage liquidity risk, the Group uses the following methods: analysis of liquidity ratios, analysis of assets and liabilities by maturity, cash flow forecasting, stress analysis and others.

Analysis of financial liabilities by their remaining maturity

The following tables show an analysis representing the remaining maturity of financial liabilities, calculated for undiscounted cash flows on financial liabilities (principal and interest) at the earliest date when the Group will be required to repay the liability as of 31 December 2021 and 31 December 2020.

(in thousands of BYN)

As at 31 December 2021	**Cost reflected in the statement of financial position**	**Undiscounted cash flows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Term is not defined**
Financial liabilities							
Financial liabilities accounted at amortized cost							
Amounts due to financial institutions	11,914	11,914	11,914	-	-	-	-
Amounts due to customers	2,430	2,430	2,430	-	-	-	-
Other financial liabilities	253	253	124	129	-	-	-
Total potential future payments on financial liabilities	**14,597**	**14,597**	**14,468**	**129**	-	-	-

As at 31 December 2020	**Cost reflected in the statement of financial position**	**Undiscounted cash flows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Term is not defined**
Financial liabilities							
Financial liabilities accounted at amortized cost							
Amounts due to financial institutions	*9,502*	*9,502*	*9,502*	-	-	-	-
Amounts due to customers	*2,184*	*2,184,*	*2,184*	-	-	-	-
Other financial liabilities	933	933	933	-	-	-	-
Total potential future payments on financial liabilities	**12,619**	**12,619**	**12,619**	-	-	-	-

(in thousands of BYN)

The Group does not apply the above analysis by maturities without regard to discounting for liquidity managements. Instead, the Group controls maturity terms of financial assets and financial liabilities as described in the tables below:

	2021				2020		
	Less than 1 year	**More than 1 year**	**Term is not defined**	**Total**	**Less than 1 year**	**More than 1 year**	**Total**
Financial assets							
Cash and cash equivalents	12,366	-	-	**12,366**	7,174	-	**7,174**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	77	-	-	**77**	58	-	**58**
Securitized loans	89,958	-	-	**89,958**	78,986	-	**78,986**
Loans to customers	2,302	10,961	-	**13,263**	2,182	10,191	**12,373**
Securities	608	30,482	-	**31,090**	3,815	35,552	**39,367**
Other financial assets	286	-	-	**286**	153	10	**163**
Total financial assets	**105,597**	**41,443**	-	**147,040**	**92,368**	**45,753**	**138,121**
Financial liabilities							
Financial liabilities accounted at amortized cost							
Amounts due to financial institutions	*11,914*	-	-	***11,914***	*9,502*	-	***9,502***
Amounts due to customers	*2,430*	-	-	***2,430***	*2,184*	-	***2,184***
Other financial liabilities	253	-	-	**253**	933	-	**933**
Total financial liabilities	**14,597**	-	-	**14,597**	**12,619**	-	**12,619**
Total balance position	**91,000**	**41,443**	-	**132,443**	**79,749**	**45,753**	**125,502**

(in thousands of BYN)

Market risk

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

Interest rate risk

Interest rate risk is the risk of obtaining a loss as a result of interest rate fluctuations.

Identification, evaluation and monitoring of interest rate risk is carried out monthly in the process of comprehensive assessment of the Group of the structure of financial assets and liabilities, as well as analysis of changes in the size of gaps in maturities between interest-sensitive financial assets and liabilities by the risk manager.

Sensitivity analysis - interest rate risk

The change in interest rates by 3 and 1 percentage points at the reporting date would increase/ (reduce) profit before tax and capital by the amounts indicated below. The analysis assumes that all other factors remain unchanged.

	31 December 2021		31 December 2020	
	Interest rate + 3 p.p.	**Interest rate - 1 p.p..**	**Interest rate + 3 p.p.**	**Interest rate - 1 p.p..**
Impact on profit before tax				
Instruments with floating interest rates	1,295	(432)	1,498	(499)
Impact on equity				
Instruments with floating interest rates	971	(324)	1,185	(312)

Currency risk

Currency risk is the risk of a potential loss as a result of the revaluation of balance sheet and off-balance sheet items denominated in foreign currency in connection with changes in foreign exchange rates.

An authorized person of the Group appointed by a decision of the Management Board with the authority to manage currency risk is a risk manager.

The Group conducts an analysis of the open currency position on a regular basis and regularly assesses the structure of assets and liabilities in terms of currencies in order to comply with the open currency position. This standard has been established by the National Bank of the Republic of Belarus in the amount of no more than 10% of the regulatory capital for each type of foreign currency.

(in thousands of BYN)

The table below presents the analysis of the Group's financial assets and liabilities by currency as at 31 December 2021:

As at 31 December 2021	BYN	USD	EUR	RUB	Other curren-cies	Total
Financial assets						
Cash and cash equivalents	2,976	1,730	4,997	2,663	-	**12,366**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	77	-	-	-	-	**77**
Securitized loans	89,958	-	-	-	-	**89,958**
Loans to customers				12,107	1,156	**13,263**
Securities	13,669	2,956	14,465	-	-	**31,090**
Other financial assets	119	-	167	-	-	**286**
Total financial assets	**106,799**	**4,686**	**19,629**	**14,770**	**1,156**	**147,040**
Financial liabilities						
Financial liabilities accounted at amortized cost						
Amounts due to financial institutions	*0*	*0*	*11,860*	*54*	-	***11,914***
Amounts due to customers	*54*	*35*	*2,142*	*199*	-	***2,430***
Other financial liabilities	252	0	1	0	-	**253**
Total financial liabilities	**306**	**35**	**14,003**	**253**	-	**14,597**
Total balance position	**106,493**	**4,651**	**5,626**	**14,517**	**1,156**	**132,443**

The table below presents the analysis of the Group's financial assets and liabilities by currency as at 31 December 2020:

As at 31 December 2020	BYN	USD	EUR	RUB	Other curren-cies	Total
Financial assets						
Cash and cash equivalents	4,767	165	1,927	315	-	**7,174**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	58	-	-	-	-	**58**
Securitized loans	78,986	-	-	-	-	**78,986**
Loans to customers	1,297	11,076	-	-	-	**12,373**
Securities	20,369	3,082	15,916	-	-	**39,367**
Other financial assets	120	-	43	-	-	**163**
Total financial assets	**105,597**	**14,323**	**17,886**	**315**	-	**138,121**
Financial liabilities						
Financial liabilities accounted at amortized cost						
Amounts due to financial institutions	-	-	*9,447*	*55*	-	***9,502***
Amounts due to customers	*158*	*26*	*1,951*	*49*	-	***2,184***
Other financial liabilities	932	-	1	-	-	**933**
Total financial liabilities	**1,090**	**26**	**11,399**	**104**	-	**12,619**
Total balance position	**104,507**	**14,297**	**6,487**	**211**	-	**125,502**

(in thousands of BYN)

Sensitivity analysis - currency risk

The following table presents an analysis of the Group's sensitivity to 20% weakening of the national currency against the USD, EUR and RUB. The analysis assumes that other factors, in particular interest rates, remain unchanged.

	31 December 2021		31 December 2020	
	20%	**10%**	**20%**	**-10%**
Impact on profit before tax				
USD	930	(465)	2,859	(1,430)
EUR	1,125	(563)	1,298	(649)
RUB	2,903	(1,452)	42	(21)
Impact on equity				
USD	698	(349)	2,144	(1,072)
EUR	844	(422)	973	(487)
RUB	2,177	(1,089)	32	(16)

The strengthening of BYN in relation to the rates of the above currencies would lead to an equally opposite effect, provided that the influence of all other factors remains unchanged.

Country risk

Country risk is the risk that the Group incurs losses as a result of non-fulfillment of liabilities by foreign counterparties due to economic, political and social changes in the country of the counterparty.

Integrated management of country risk allows to ensure the safety of the Group's assets located outside the Republic of Belarus.

The identification of country risk is carried out by collecting, summarizing and systematizing information on the political and economic situation in the states the residents of which are the main counterparties and customers of the Group.

Monitoring of the country risk level is carried out by the risk manager on an ongoing basis by tracking changes in significant political and economic indicators, monitoring compliance with limits on the allocation of funds in individual countries and groups of countries.

In order to forecast changes in the country's risk, the Group carries out stress testing, the essence of which is to assess the impact of the Group's exposure to the factors inherent in the country risk.

(in thousands of BYN)

The geographical analysis of the Group's assets and liabilities as at 31 December 2021 and 31 December 2020 is presented below:

As at 31 December 2021	**Belarus**	**OECD countries**	**Other countries**	**Total**
Financial assets				
Cash and cash equivalents	5,807	-	6,559	**12,366**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	77	-	-	**77**
Securitized loans	89,958	-	-	**89,958**
Loans to customers	13,263		-	**13,263**
Securities	31,090	-	-	**31,090**
Other financial assets	286	-	-	**286**
Total financial assets	**140,481**	**-**	**6,559**	**147,040**
Financial liabilities				
Financial liabilities accounted at amortized cost				
Amounts due to financial institutions	-	-	*11,914*	***11,914***
Amounts due to customers	*88*	*42*	*2,300*	***2,430***
Other financial liabilities	253	-	-	***253***
Total financial liabilities	**341**	**42**	**14,214**	**14,597**
Total balance position	**140,140**	**(42)**	**(7,655)**	**132,443**

As at 31 December 2020	**Belarus**	**OECD countries**	**Other countries**	**Total**
Financial assets				
Cash and cash equivalents	5,929	-	1,245	**7,174**
Amounts due from financial institutions and the National Bank of the Republic of Belarus	58	-	-	**58**
Securitized loans	78,986	-	-	**78,986**
Loans to customers	12,373	-	-	**12,373**
Securities	39,367	-	-	**39,367**
Other financial assets	163	-	-	**163**
Total financial assets	**136,876**	**-**	**1,245**	**138,121**
Financial liabilities				
Financial liabilities accounted at amortized cost				
Amounts due to financial institutions	-	-	*9,502*	***9,502***
Amounts due to customers	*153*	*46*	*1,985*	***2,184***
Other financial liabilities	933	-	-	**933**
Total financial liabilities	**1,086**	**46**	**11,487**	**12,619**
Total balance position	**135,790**	**(46)**	**(10,242)**	**125,502**

Operational risk

Operational risk is the risk of direct or indirect costs arising from various causes associated with banking processes, personnel, technology and infrastructure, as well as external factors other than credit, market and liquidity risk factors, such as legal requirements and accepted Standards of corporate behavior. Operational risks arise as a result of all operations of the Group and affect all business entities.

Operational risk management is not considered by the Group as an independent type of management activity but is included in a comprehensive banking risk management system.

When identifying operational risk, internal and external factors that contribute to its occurrence are taken into account.

(in thousands of BYN)

The assessment of operational risk involves an assessment of the likelihood of operational incidents, and an estimate of the potential loss (the difference between the losses that could have been incurred because of the operational incident and the losses incurred because of the confluence of circumstances).

Monitoring of operational events is carried out on a permanent basis by responsible employees of the Group's structural units. In addition to monitoring operational losses, the Group regularly monitors the parameters and thresholds of established criteria - early warning indicators, which facilitates the timely identification of potential sources of operational risk.

Monitoring compliance with established rules and procedures for managing operational risk is carried out within the internal control system.

The assessment of the quality of operational risk management is assessed at least once a year by the internal audit department by calculating an indicator of the quality of operational risk management.

28. Capital management

The Group manages capital in order to comply with legal requirements and ensure going concern, while setting the task of ensuring profit by optimizing the ratio of liabilities and equity of the Group.

The Group's Management analyzes the equity structure on a monthly basis. In the process of this analysis, the Management determines the level of capital adequacy by comparing the regulatory level of capital with quantified risks. The Group's Management analyzes the capital adequacy, as well as the risks associated with each asset class.

In accordance with the capital requirements established by the National Bank of the Republic of Belarus, the banks shall ensure the ratio of capital and assets weighted with the level of risk (the standard of adequacy of regulatory capital) at a level above the minimum required value (10%). The table below shows the regulatory capital based on information prepared in accordance with the requirements of the national accounting rules for the bank:

	31 December 2021	31 December 2020
Basic capital	183,090	176,517
Additional capital	6,873	6,366
Total regulatory capital	**189,963**	**182,883**
Risk-weighted assets	423,629	444,800
Regulatory capital adequacy ratio	**41.9**	**41.1**

29. Fair value of financial instruments

Fair value is defined as the price at which the instrument can be exchanged as part of the current transaction between independent interested parties willing to enter into a transaction on market terms, other than forced sale or liquidation. The best confirmation of fair value is the quotation of a financial instrument in an active market. Since for most of the Group's financial instruments there is no liquid market, their fair value must be determined on the basis of current market conditions and specific risks associated with a particular instrument. The estimates presented below may not correspond to the amounts that the Group is able to obtain from the market sale of the entire available package of a particular instrument.

(in thousands of BYN)

The table below provides an analysis of financial instruments presented at fair value at the end of the reporting period, by the level according to the classification above:

Financial assets/financial liabilities	Fair value at 31 December 2021	Fair value at 31 December 2020	Fair value hierarchy	Valuation techniques and key source data
Securities measured at fair value through other comprehensive income	38,827	38,827	Level 2	Discounted cash flows. The rates used are rates on financial instruments with a similar level of risk, denominated in the appropriate currency and having the appropriate maturity.

There was no reclassification of financial instruments between levels during the year. The Group considers that the fair value of financial assets and financial liabilities is not materially different from their carrying value.

The table below shows the carrying value and fair value of financial assets and liabilities:

	31 December 2021 Carrying value	31 December 2021 Fair value	31 December 2020 Carrying value	31 December 2020 Fair value
Financial assets				
Cash and cash equivalents	12,366	12,366	7,174	7,174
Amounts due from financial institutions and the National Bank of the Republic of Belarus	77	77	58	58
Securitized loans	89,958	89,958	78,986	78,986
Loans to customers	13,263	13,263	12,373	12,373
Securities	31,090	31,090	39,367	39,367
Other financial assets	286	286	163	163
Total financial assets	**147,040**	**147,040**	**138,121**	**138,121**
Financial liabilities				
Amounts due to financial institutions	11,914	11,914	9,502	9,502
Amounts due to customers	2,430	2,430	2,184	2,184
Other financial liabilities	253	253,	933	933
Total financial liabilities	**14,597**	**14,597**	**12,619**	**12,619**

For financial assets and liabilities accounted at fair value with a short maturity, it is assumed that the carrying amount is approximately equal to the fair value. This assumption also covers to demand deposits, current accounts that do not have a maturity date.

30. Related party transactions

Related parties are the shareholders of the Group who have significant influence over the activities of the Group, as well as key management personnel, their close relatives and controlled by the listed parties or associates.

The amounts included in the consolidated statement of financial position for transactions with related parties are as follows:

	31 December 2021	31 December 2020
Loans to customers	95	108
Other assets	2	2
Total assets	**97**	**110**

(in thousands of BYN)

	31 December 2021	31 December 2020
Amounts due to financial institutions	9,078	8,777
Total liabilities	**9,078**	**8,777**

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

	Year ended 31 December 2021	Year ended 31 December 2020
Interest income and expenses		
Interest income	12	13
Interest expenses	-	-
Total interest income and expenses	**12**	**13**
Fee and commission income and expenses		
Fee and commission income	13	10
Fee and commission expense	-	-
Total fee and commission income and expenses	**13**	**10**

	Year ended 31 December 2021	Year ended 31 December 2020
Remuneration to key management personnel	**1,345**	**1,262**

31. Subsequent events

The functioning of the economy of the Republic of Belarus under economic sanctions related to events on the territory of a neighboring country indicate a significant degree of economic uncertainty. The financial position of the Group's borrowers (debtors) and, accordingly, their ability to repay their debts to the Group in full and on time also depend on the prospects for further development of the economic policy pursued by the Government of the Republic of Belarus.

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 Group's Management takes all necessary measures aimed at ensuring stable and continuous operation in the current conditions.