

**Joint-Stock Company
"REALIST BANK"**

**Consolidated Financial Statements
and auditor's report
for the year ended
December 31, 2022**

Moscow, 2023

Content

AUDITOR'S REPORT.....	3
STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2022.....	8
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022.....	9
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2022.....	10
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2022.....	11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022.....	12
1. MAIN ACTIVITY.....	12
2. ECONOMIC ENVIRONMENT IN WHICH THE BANK OPERATES.....	13
3. BASIS FOR PREPARING FINANCIAL STATEMENTS.....	14
4. ACCOUNTING POLICIES.....	18
5. CASH AND CASH EQUIVALENTS.....	23
6. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS.....	24
7. DUE FROM OTHER BANKS.....	24
8. LOANS AND RECEIVABLES.....	24
9. FIXED ASSETS, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS.....	26
10. DISPOSAL GROUPS AND NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE.....	27
11. OTHER ASSETS.....	28
12. DUE TO CUSTOMERS.....	28
13. DEBT SECURITIES ISSUED.....	29
14. OTHER BORROWED FUNDS.....	29
15. OTHER LIABILITIES.....	30
16. AUTHORIZED CAPITAL.....	30
17. INTEREST INCOME AND EXPENSE.....	30
18. FEE AND COMMISSION INCOME AND EXPENSE.....	31
19. OTHER OPERATING INCOME.....	31
20. ADMINISTRATIVE AND OPERATING EXPENSE.....	31
21. INCOME TAX.....	32
22. RISK MANAGEMENT.....	33
23. COMMITMENTS AND CONTINGENT LIABILITIES.....	43
24. FAIR VALUE OF FINANCIAL INSTRUMENTS.....	44
25. TRANSACTIONS WITH RELATED PARTIES.....	45
26. CAPITAL MANAGEMENT.....	47
27. ESTIMATES AND JUDGMENTS USED IN APPLYING THE ACCOUNTING POLICIES.....	48
28. EVENTS AFTER THE REPORTING DATE.....	48

This document is the translation of the audit report in respect of the annual financial statements compiled in accordance with the rules established in the Russian Federation. The original version of the audit report was compiled in Russian.

April 25, 2023

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Joint Stock Company "Realist Bank"

REPORT ON THE RESULTS OF THE AUDIT OF FINANCIAL STATEMENTS

Opinion

We have audited the attached annual financial statements of Joint Stock Company "Realist Bank" (PSRN 1023800000124, Address: 109004, Moscow, Stanislavsky St., house 4, building 1, hereinafter referred to as the Bank), consisting of the statement of financial position as of December 31, 2022 and statements of comprehensive income, changes in equity and cash flows for the year ended December 31, 2022, as well as notes to the annual financial statements consisting of a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Joint Stock Company "Realist Bank" as of December 31, 2022, as well as its financial results and cash flows for the year 2022 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are further described in the "Auditor's responsibilities for audit of annual financial statements" section of this report. We are independent of the Auditee in accordance with the Rules for Independence of Auditors and Auditing Organizations and the Code of Ethics for Professional Auditors, corresponding to the International Code of Ethics for Professional Accountants developed by the Ethics Standards Board for Accountants (including international standards of independence), and we have fulfilled our other ethical obligations in accordance with these requirements. We suppose that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

Expected credit losses for loans and receivables (Note 8)

We paid special attention to this issue due to the significance of loans and receivables in total assets, as well as the significance of professional judgments and estimates required to calculate the allowance for expected credit losses.

The allowance for expected credit losses is management's unbiased estimate of the weighted average value of expected credit losses in accordance with the Bank's methodologies based on the principles of IFRS 9 Financial Instruments. The individual assessment of expected credit losses is based on a rating model, taking into account the influence of macroeconomic factors. The allowance for expected credit losses on a group basis is calculated based on a migration model. Estimating expected credit losses requires management to apply judgment and make assumptions about the following key aspects:

- timely detection of a significant increase in credit risk and default events on loans to customers;
- correct staging of loans and receivables;

- assessment of the probability of default (PD) and the loss-given default (LGD) on loans assessed using their own rating models;
- analysis in terms of assessment on a group basis of coefficients that affect the calculation of expected losses;
- analysis of the influence of external factors - the main indicators of macroeconomics;
- assessment of methods in terms of predictive ability of credit risk assessments and their integration into internal banking processes.

Our audit procedures in relation to the data and calculations used for the purposes of estimating expected credit losses included, in particular, the following:

- we analyzed, on a selective basis, financial and non-financial information in relation to borrowers, as well as professional judgments made by the Bank in order to assess the overall adequacy of the rating assigned by the Bank for the relevant position, and also checked the input data used in the rating models;

- we tested loans to customers on a sample basis with an individual assessment of the allowance for expected credit losses.

- we checked whether a default event was identified in a timely manner, and also analyzed the reasonableness of the scenarios used and the likelihood of their occurrence, examined the assumptions used by management, including the valuation of collateral.

- we have tested, on a sample basis, the principles and operation of the models and calculations used for group and individual estimations of the allowance for expected credit losses.

Our work included comparing key assumptions and estimates with available external information, as well as various analytical procedures regarding the reasonableness of the allowance for expected credit losses.

We have reviewed a disclosure about the estimated expected credit losses in the Notes.

Other information

The audit of the annual financial statements of Joint Stock Company "Realist Bank" for 2021 was carried out by another audit company, which expressed an unmodified opinion on these statements on April 29, 2022.

Responsibilities of the management and members of the Board of Directors of the audited entity for the annual financial statements

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

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

The members of the Board of Directors are responsible for supervision of the preparation of the Group's annual financial statements.

Auditor's Responsibilities for audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether these annual consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

a) Identify and assess the risks of material misstatement of the annual consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

б) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the audited entity's internal control;

в) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the audited entity management;

г) Conclude on the appropriateness of the audited entity management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 annual consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the audited entity to cease to continue as a going concern;

д) evaluate the overall presentation, structure and content of the annual consolidated financial statements, including the disclosures, and whether the annual consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the members of the Board of Directors of the audited entity, 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 the members of the Board of Directors of the audited entity with a statement that we have complied with all relevant ethical requirements with respect to independence, and have informed these persons of all relationships and other matters that may reasonably be considered to have an impact on the auditor independence, and where appropriate, relevant precautions.

From the matters we have brought to the attention of the members of the entity's Board of Directors, we have identified matters that were most significant to the audit of the annual financial statements for the current period and, therefore, are key audit matters. We describe these matters in our auditor's report, except when public disclosure of information about these matters is prohibited by law or regulation, or when, in extremely rare cases, we conclude that information about a matter should not be disclosed in our conclusion, since it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefit from its communication.

REPORT IN ACCORDANCE WITH THE REQUIREMENTS OF ARTICLE 42 OF THE FEDERAL LAW No. 395-I OF DECEMBER 02, 1990 "ON BANKS AND BANKING ACTIVITIES"

The management of Joint Stock Company "Realist Bank" is responsible for compliance of the banking group, the parent credit institution of which is the Bank, with the mandatory regulations established by the Bank of Russia, as well as for compliance of internal control and organization of risk management systems of the banking group, the parent credit institution of which is the Bank, with the requirements established by the Bank of Russia for such systems.

In accordance with Article 42 of Federal Law No. 395-I of December 2, 1990, "On Banks and Banking Activities", in addition to the audit of the annual consolidated financial statements of the Bank and its subsidiaries for the year 2022, we have audited:

– compliance by the banking group, the parent credit institution of which is the Bank, of the mandatory requirements established by the Bank of Russia as of January 1, 2023;

– compliance of internal control and organization of risk management systems of the banking group, the parent credit institution of which is the Bank, with the requirements established by the Bank of Russia for such systems.

This audit was limited to such procedures, selected on the basis of our judgment, as inquiries, analysis, examination of documents, comparison of the requirements, procedures and methods approved by the Bank with the requirements of the Bank of Russia, as well as recalculation and comparison of figures and other information.

As a result of our audit, we have established the following:

1) Compliance by the banking group, the parent credit institution of which is the Bank, of the mandatory requirements established by the Bank of Russia.

We have established that the values of the mandatory requirements to the Bank established by the Bank of Russia as of January 1, 2023 are within the limits established by the Bank of Russia.

We have not performed any procedures with respect to the accounting data of the banking group, the parent credit institution of which is the Bank, except for the procedures that we have considered necessary for the purpose of expressing an opinion on reliability of the annual consolidated financial statements of the banking group, the parent credit institution of which is the Bank;

2) Compliance of internal control and organization of risk management systems of the banking group, the parent credit institution of which is the Bank, with the requirements established by the Bank of Russia for such systems.

a) We have established that, in accordance with the requirements and recommendations of the Bank of Russia as of December 31, 2022, the Bank's internal audit service is subordinate and accountable to the Board of Directors, the Bank's risk management divisions are not subordinate and are not accountable to divisions that accept the relevant risks; heads of the internal audit service and the Bank's risk management divisions comply with the qualification requirements established by the Bank of Russia;

б) We have established that the internal documents of the Bank in force as of December 31, 2022, setting methods for identifying and managing risks that are significant for the banking group, the parent credit institution of which is the Bank, and carrying out stress testing approved by the authorized management bodies of the Bank in accordance with requirements and recommendations of the Bank of Russia;

в) We have established that, as of December 31, 2022, the Bank has a reporting system on risks that are significant for the banking group, the parent credit institution of which is the Bank, as well as equity (capital) of the banking group, the parent credit institution of which is the Bank;

г) We have established that the frequency and sequence of reports prepared by the Bank's risk management divisions and the Bank's internal audit service during 2022 on the management of risks significant for the Bank were in accordance with the Bank's internal documents; these reports included the results of observation by the Bank's risk management divisions and the Bank's internal audit service in relation to assessing the effectiveness of the Bank's relevant methods, as well as recommendations for their improvement;

д) We have established that, as of December 31, 2022, the powers of the Bank's Board of Directors and its executive management bodies include control over compliance of the banking group, the parent credit institution of which is the Bank, with the risk and capital adequacy limits set by the Bank's internal documents. In order to monitor the effectiveness of the risk management procedures and the sequence of their application throughout 2022, the Bank's Board of Directors and its executive management bodies periodically discussed reports prepared by the Bank's risk management divisions and the internal audit service, considered the proposed remedial actions.

The procedures in relation to internal control and organization of risk management systems have been carried out by us solely for the purpose of verifying the compliance of certain elements of internal control specified in the Federal Law and described above and the organization of risk management systems of the banking group, the parent credit institution of which is the Bank, with the requirements of the Bank of Russia.

Director



Shlygin Roman Alexandrovich
MRN* 21906023286

Head of the audit, resulted with this report

Shlygin Roman Alexandrovich
MRN* 21906023286

Audit company:

Limited liability company Audit company "Anlen"
160000, Russia, Vologda, Galkinskaya st. 63 A
MRN* 12006010495

April 25, 2023

* main registration number, ORNZ (OPH3)

Statement of Financial Position as of December 31, 2022

	Note	As of December 31	
		2022	2021
Assets			
Cash and cash equivalents	5	5 637 648	3 281 749
Mandatory cash balances with the Central Bank of the Russian Federation		21 670	97 028
Financial assets measured at fair value through profit or loss	6	1 350 499	1 393 721
Due from other banks	7	4 324 665	2 020 320
Loans and receivables	8	12 262 280	11 456 218
Current income tax claims		-	2 259
Deferred tax asset		-	-
Fixed assets, intangible assets and right-of-use assets	9	215 954	174 875
Non-current assets classified as held for sale	10	228 906	130 150
Other assets	11	187 224	482 284
Total assets		24 228 846	19 038 604
Liabilities			
Due to banks		-	-
Due to customers	12	16 447 520	12 530 644
Debt securities issued	13	623 864	480 609
Financial liabilities measured at fair value through profit or loss		20 545	4 917
Current income tax liabilities		64 866	41 242
Provisions for expected credit losses on credit related commitments		624 037	486 441
Provisions for expected credit losses on non-credit related commitments		4	148
Other liabilities	15	1 850 754	1 226 629
Other borrowed funds	14	-	229 905
Total liabilities		19 631 590	15 000 535
Equity capital			
Authorized capital	16	1 456 548	1 456 548
Other shareholders investments		1 999 600	1 999 600
Retained earnings (Accumulated deficit)		1 141 108	581 921
Total equity capital		4 597 256	4 038 069
Total liabilities and equity capital		24 228 846	19 038 604

Approved for issue by the Bank's Management Board and signed on behalf of the Bank's Management Board on April 25, 2023.

Chairman of the Management Board Chief Accountant
Elmanin V.S.

Gorbyleva E.A.

Notes on pages 12-48 form an integral part of these financial statements.

Statement of Comprehensive Income for the year ended December 31, 2022

	Note	For the year ended December 31	
		2022	2021
Interest income	17	2 701 736	2 097 173
Interest expenses	17	(896 566)	(502 703)
Net interest income		1 805 170	1 594 470
Change in provisions for impairment losses / provisions for expected credit losses on loans and receivables		(1 143 617)	(267 160)
Net interest income after changes in provisions for impairment losses / provisions for expected credit losses on loans and receivables		661 553	1 327 310
Fee and commission income	18	783 913	674 288
Fee and commission expenses	18	(364 096)	(352 495)
Net gain/(loss) on financial assets measured at fair value through profit or loss		388 642	(167 836)
Net income from foreign currency transactions		(72 985)	52 520
Net income from revaluation of foreign currency		436 354	50 460
Net income from operations with precious metals		72 568	43 190
Net income from revaluation of precious metals		227 924	57 237
Net change in provisions for expected credit losses on credit related commitments		(137 596)	(75 705)
Net change in provisions for impairment of other assets	11	(33 383)	41 968
Net change in provisions for expected credit losses on non-credit related commitments		(4)	(14 872)
Other operating income	19	172 505	108 485
Net income		2 135 395	1 744 550
Administrative and other operating expenses	20	(1 343 700)	(1 192 244)
Income before tax		791 695	552 306
(Expenses)/refund under income tax	21	(232 508)	(107 472)
Profit or loss from continuing operations		559 187	444 834
Profit or loss from discontinued operations		-	79 536
Income after tax before other components of comprehensive income		559 187	524 370
Comprehensive income for the period		559 187	524 370

Approved for issue by the Bank's Management Board and signed on behalf of the Bank's Management Board on April 25, 2023.

Chairman of the Management Board Chief Accountant
Elmanin V.S.

Gorbyleva E.A.

Notes on pages 12-48 form an integral part of these financial statements.

Statement of Changes in Equity for the year ended December 31, 2022

	Authorized capital	Other owners investments	Retained profit	Total equity capital
Balance as of December 31, 2020	1 456 548	1 999 600	358 425	3 814 573
Comprehensive income for the period	-	-	524 370	524 370
Profit distribution	-	-	(300 874)	(300 874)
Balance as of December 31, 2021	1 456 548	1 999 600	581 921	4 038 069
Comprehensive income for the period	-	-	559 187	559 187
Profit distribution	-	-	-	-
Balance as of December 31, 2022	1 456 548	1 999 600	1 141 108	4 597 256

Approved for issue by the Bank's Management Board and signed on behalf of the Bank's Management Board on April 25, 2023.

Chairman of the Management Board Chief Accountant
Elmanin V.S.

Gorbyleva E.A.

Notes on pages 12-48 form an integral part of these financial statements.

Statement of Cash Flows for the year ended December 31, 2022

	For the year ended December 31	
	2022	2021
Cash flows from operating activities		
Interest received	2 765 342	2 158 052
Interest paid	(902 667)	(446 791)
Commission fees received	783 913	673 546
Commission fees paid	(364 096)	(354 708)
Net income (expense) from transactions with financial assets measured at fair value through profit or loss	348 832	(88 400)
Net income from foreign currency transactions	(72 985)	52 520
Other operating income received	325 739	70 365
Administrative and other operating expenses paid	(1 473 875)	(998 655)
Income tax paid	(206 625)	(70 513)
Cash received from operating activities before changes in operating assets and liabilities	1 203 578	995 416
Changes in operating assets and liabilities:		
Net (increase)/decrease in mandatory cash balances in accounts with the Central Bank of the Russian Federation	75 358	(9 861)
Net (increase)/decrease in financial assets measured at fair value through profit or loss	98 660	166 966
Net (increase)/decrease in due from other banks	(2 411 932)	(1 410 125)
Net (increase)/decrease in loans to customers	(1 940 219)	1 000 457
Net (increase)/decrease in other assets	(182 146)	(1 644 055)
Net (increase)/decrease in due to banks	(51)	(16 101)
Net (increase)/decrease in due to customers	3 824 280	1 990 661
Net (increase)/decrease in other liabilities	744 841	163 386
Net cash flows from operating activities	1 412 369	1 236 744
Cash flows from investment activities		
Purchase of fixed assets and intangible assets (Note 11)	(9 660)	(14 357)
Proceeds from sale of fixed assets and intangible assets	-	-
Net cash flows from investment activities	(9 660)	(14 357)
Cash flows from financial activities		
Shareholders contributions	-	-
Sale of own shares repurchased from shareholders	-	-
Net increase/(decrease) in debt securities issued	217 109	(199 698)
Repayment of finance lease liabilities	(98 579)	(104 197)
Payment of dividends	-	(300 874)
Net cash flows from financial activities	118 530	(604 769)
Impact of changes in the official exchange rate of the Central Bank of Russia on cash and cash equivalents	834 660	(28 573)
Net increase in cash and cash equivalents	2 355 899	589 045
Cash and cash equivalents at the beginning of the year	3 281 749	2 692 704
Cash and cash equivalents at the end of the year (Note 5)	5 637 648	3 281 749

Approved for issue by the Bank's Management Board and signed on behalf of the Bank's Management Board on April 25, 2023.

Chairman of the Management Board Chief Accountant
Elmanin V.S.

Gorbyleva E.A.

Notes on pages 12-48 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2022

1. Main activity

Joint Stock Company "Realist Bank" was formed as unit bank "Angarsky" on December 5, 1990. In 1993, the Bank was transformed into a closed joint stock company. In 1998, the Bank changed its organizational and legal form and name to Joint Stock Commercial Bank "BaikalONEKSIM Bank" (open joint stock company), and then to Commercial Bank "BaikalROSBANK" (open joint stock company). On March 5, 2007, the Bank was renamed into Joint Stock Company "BaikalInvestBank".

On May 7, 2020, the reorganization procedure of JSC "BaikalInvestBank" in the form of merger into JSC "BANK REALIST" was completed. From that moment on, all rights and obligations of JSC "BANK REALIST" were transferred to JSC "BaikalInvestBank". The merger of JSC "BANK REALIST" was recorded using the pooling of interests method, as a business combination transaction involving banks under common control. Assets and liabilities of JSC "BANK REALIST" transferred were recorded at their book value as of the date of merger. No additional goodwill was recorded. In accordance with the resolution of the general meeting of shareholders of the Bank as of July 29, 2020, the name of the Bank was changed to Joint Stock Company "Realist Bank" (JSC "REALIST BANK").

The Bank operates in accordance with the Federal Law "On Banks and Banking Activities". The Bank's operations are regulated by the Central Bank of Russian Federation in accordance with multipurpose license to carry out banking operations № 1067 of 14.09.2020.

Additionally the Bank operates in accordance with the following licenses:

- License to raise deposits of financial resources from individuals in Russian roubles and foreign currencies;
- License to raise deposits of and place precious metals;
- License of a professional participant of the securities market to carry out dealer activities, brokerage activities, and depository activities.

The Bank is a multipurpose bank providing a full range of banking services for corporate customers of various forms of incorporation and fields of activity and individuals. The main activity of the Bank is banking operations in the Russian Federation: lending to legal entities and individuals, raising deposits of financial resources, cash management and payment services for customers, operations with precious metals, operations with foreign currencies and securities, settlements on export/import transactions of customers.

The Bank is a member of the compulsory deposit insurance system regulated by State Corporation "Deposit Insurance Agency" since March 14, 2005 under number 761.

The Bank is located at the following address: 4. Stanislavskogo St., building 1, Moscow 109004, Russia. As of 01.01.2023 the Bank has 38 internal structural divisions in 35 regions of the Russian Federation.

The Bank is a member of a banking holding company. The parent organization of the holding is LLC "BUROKRAT".

During 2021-2022 the main shareholders of the LLC "BUROKRAT" were:

Shareholder	Share as of 31.12.2022	Share as of 31.12.2021
Mr. Mangutov Vladislav Rustamovich	33,33%	33,33%
Mr. Abramov Aleksey Petrovich	33,33%	33,33%
Mr. Karchev Oleg Gennadievich	32,33%	32,33%
LLC "M-INVEST"	1,00%	1,00%

2. Economic environment in which the Bank operates

The Bank operates in the Russian Federation ("Russia"). Consequently, the Bank is exposed to economic and financial risks attributed to the Russian markets, which show characteristics typical of emerging markets. Legal, tax and regulatory systems continue improving, but it is subject to varying interpretations and to frequent changes, which, together with other shortcomings of the legal and fiscal systems, create additional difficulties for businesses operating in Russia. Persisting international sanctions against some Russian companies and citizens continue having a negative impact on the Russian economy.

These trends may have a material impact on the operating results and financial situation of the Bank in the future, and it is difficult to predict what exactly this impact will be like. The future economic and regulatory environment and its impact on the Bank's operating results may differ from current expectations of the management. In addition, such factors as a decrease in real incomes of Russia's population, a decrease in liquidity and profitability of companies, as well as increased insolvencies among legal entities and individuals, may affect the ability of the Bank's borrowers to repay their debts to the Bank.

GDP of Russia in 2022 according to the first estimates decreased by 2,1% (after the 5,6% growth in 2021). The actual GDP for 2022 are not published yet. The GDP change for the 1st quarter was 3,5%, for the 2nd quarter was 4,1%, for the 3rd quarter – 3,7%.

Inflation showed strong increase in Russia in 2022. The 18% surge of inflation occurred in April, by the end of the year the inflation decreased to 11,94%. The consumer price index for the 1st quarter was +9,95%, for the 2nd quarter was +11,41%, for the 3rd quarter – 10,46%.

The cost of the Brent oil increased in 2022 by 10,3% from \$77,78 to \$85,79 for barrel. The exchange rate of the Russian ruble was extremely volatile throughout the year: fluctuations occurred in the range from 50 to 120 rubles per US dollar. By the end of 2022 the exchange rate ruble/USD increased by 5,6% from 74,2926 to 70,3375 rubles per USD. However during the 4th quarter the exchange rate ruble/USD decreased by 27,20% from 55,2987 to 70,3375 rubles per USD due to publication of the strong macroeconomic statistics by the end of 2022 in USA and Euro-zone.

Russian market indexes in 2022 were as following: the MICEX index fell by 77.58% from 3,825.3 to 2,154 points, the RTS index fell by 65.16% from 1,604 to 971 points.

Negative forecasts of unemployment growth in Russia did not come true. Unemployment, on the contrary, began to decline and showed record low levels. In November, it reached 3.7%, which is the lowest value in recent decades.

Since the end of February 2022, the increase in geopolitical tensions created significant risks for the Russian economy and led to significant fluctuations in exchange rates and a decrease in the value of Russian assets in the financial markets, a decrease in the sovereign rating of Russia, and the expansion of sanctions from the United States, EU countries and a number of other countries against residents of the Russian Federation. The introduced economic sanctions include a partial blocking of the gold reserves of the Central Bank of the Russian Federation, restricting the Russian Federation's access to the global capital market, restricting investments and settlements in US dollars and Euros, disabling the SWIFT system for certain Russian banks, restricting operations with international clearing organizations that cause the destruction of established payment chains, the emergence of difficulties with payments in US dollars and Euros, non-payments (delays in planned payments) for securities.

In response to these risks and sanctions, the Government of the Russian Federation and the Bank of Russia adopted a set of stabilization measures to ensure macroeconomic stability and the stability of the financial system of the Russian Federation, including the temporary introduction of bans on a number of transactions with non-residents and settlements in US dollars and Euros, an increase in the key rate of the Central Bank Russian Federation, introduction of mandatory sale of the earnings in foreign currency, temporary suspension of exchange trading, restriction of disclosure of certain statistical information on macroeconomic indicators, as well as financial and non-financial information of organizations.

In order to stabilize the economic situation and reduce inflationary pressure on the economy, the Bank of Russia repeatedly revised the key rate in 2022. The key rate of the Central Bank of the Russian Federation at the beginning of the year was 8.5%, from February 28, 2022 it was sharply increased to 20.0%, since mid-April, due to positive inflation expectations, its value was gradually reduced, as of January 1, 2023, the key rate is 7.5%.

The Bank's management notes the blocking of EUR 2,836 million funds on the correspondent account with JSC NCO NSD (RUB 214,573 thousand in ruble equivalent as of 01.01.2023).

The Bank takes measures to "unblock" assets in JSC NCO NSD, including being a member of the Investor Rights Protection Club at the Moscow Exchange.

Also, in November 2022, the Bank submitted an application to the Federal Bank of Germany (Bundesbank) for permission from the Bundesbank, as the competent authority of the state, to transfer 2,836 euros, which are currently held by JSC NCO NSD.

There is no available information about economic sanctions against the Bank, its key management personnel and its ultimate beneficiary.

Considering the currently available information, the Bank's management believes that the noted factors did not have a material adverse effect on the Bank's operations. The Bank's management regularly monitors client account balances, controls its foreign currency position and funds, and closely monitors the development of the situation and makes all possible efforts and actions to minimize possible risks for the Bank from the impact of the noted factors.

3. Basis for preparing financial statements

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) on the historical cost basis, as modified by the revaluation at fair value of financial assets at fair value through profit or loss, available-for-sale financial assets, and also in accordance with IAS 29 Financial Reporting in Hyperinflationary Economy.

Bringing disclosed Russian financial statements into compliance with IFRS financial statements. The Bank maintains its accounting records in accordance with the banking laws of Russia. These financial statements have been prepared on the basis of these accounting documents, with adjustments necessary to bring them into compliance with IFRS in all material respects.

The preparation of IFRS financial statements requires the application by the management of estimates and professional judgments that affect the amounts recognized in the financial statements. The areas where the effects of judgment and estimates on the financial statements are most significant are disclosed in Note 27.

These financial statements have been prepared on the basis of the principle of a continuously operating organization.

The accounting policies adopted are consistent with those followed in the previous financial year, except for the application by the credit institution of the new, revised IFRSs that are mandatory for adoption in the annual periods beginning on or after 1 January 2022.

These financial statements include all standards that were actual by the end of the reporting period.

Taking into account the impact of hyperinflation. Until January 1, 2003, the economy of the Russian Federation was characterized by signs of hyperinflation. In this connection, non-monetary assets and liabilities which incurred prior to December 31, 2002 and contributions of the Bank's members made prior to December 31, 2002 were restated using corresponding cumulative inflation rates to the historical cost ("restated cost") for the period ended December 31, 2002, inclusive. Gains and losses on subsequent disposals and depreciation charges for the reporting period are recognized based on the restated amounts of such non-monetary assets and liabilities.

Since the characteristics of the economic situation in Russia indicate that hyperinflation has ceased since January 1, 2003, the Bank no longer applies IAS 29, limiting itself to reflecting the cumulative effect of hyperinflation on non-monetary financial statements until December 31, 2002.

Functional and presentation currency. The functional currency of the Bank is the Russian rouble. These financial statements are expressed in Russian roubles, rounded to the nearest thousand.

New or revised standards and interpretations. Some of the new IFRSs became mandatory for the Bank between 1 January and 31 December 2022.

Amendments to IAS 1 Presentation of Financial Statements (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022) with limited scope, explaining that liabilities should be classified as short-term or long-term, depending on the rights available at the end of the reporting period. This classification is not affected by the entity's expectations or events after the

reporting date (for example, a waiver or violation of a restrictive covenant). Entities should revise their existing classification in light of this amendment and determine if any changes are required.

The amendment establishes the following requirements:

- Liabilities are classified as long-term if, at the end of the reporting period, the entity has a material right to defer their settlement for at least twelve months. The amendment no longer refers to unconditional rights because loans are rarely unconditional (for example, because a loan agreement may contain special terms).

- The classification of liabilities as current or non-current is based on the (legal) rights that existed at the end of the reporting period. The assessment determines the existence of a right, but does not consider whether the entity will use that right. Therefore, management's expectations do not affect the classification.

- The right to defer exists only if the entity is in compliance with applicable conditions at the reporting date. A liability is classified as current if a condition was breached on or before the reporting date, even if at the end of the reporting period the creditor is released from the obligation to comply with that condition. On the other hand, a loan is classified as long-term if the specific condition on such a loan is only violated after the reporting date.

- A "settlement" is defined as the settlement of a liability in cash, other resources representing economic benefits, or the entity's own equity instruments. There is an exception for convertible instruments that can be converted into equity, but only for those instruments for which the conversion option is classified as an equity instrument that is a separate component of a compound financial instrument.

These amendments should be applied to annual periods beginning on or after 1 January 2022 retrospectively in accordance with IAS 8. Early application is permitted. If an entity applies the amendments for an earlier period, it shall disclose that fact.

Amendment to IAS 16: Property, Plant and Equipment – Income received prior to its intended use.

Under IFRS 16, the cost of an asset includes any costs incurred to bring the asset to the right place and bring it into a condition suitable for use in accordance with the intentions of management. These costs include the costs of verifying that the asset is functioning properly.

The amendment to IFRS 16 prohibits deducting from the cost of an item of property, plant and equipment income received from the sale of products produced in the process of preparing the asset for its intended use (for example, income from the sale of samples produced in the process of testing a machine tool designed to make sure that it functions properly). Revenues from the sale of such designs, together with the costs of producing them, are now recognized in profit or loss. The entity will apply IAS 2 Inventories to measure the value of such items. The cost will not include depreciation of such a tested asset as it is not yet ready for its intended use.

The amendment also clarifies that an entity "verifies the proper functioning of an asset" when it evaluates its technical and physical performance. The financial performance of this asset is irrelevant to this assessment. Thus, the asset may be operated in accordance with management's intentions and subject to depreciation before it reaches the level of operating efficiency expected by management.

The amendment requires entities to separately disclose income and costs relating to items produced that are not the result of the entity's normal activities. In addition, an entity shall disclose the line in the statement of comprehensive income that includes such income.

This amendment could have a significant impact on entities where products are manufactured and sold in the process of getting an asset to the right place and bringing it to a condition suitable for its intended use, and where management has previously evaluated the operating performance of the asset in order to conclude that it is ready for use (for example, in the mining industry). Management may need to put in place certain processes to track the cost of items sold and account for the asset as being ready for its intended use earlier than it has been in the past.

The amendment will enter into force on January 1, 2022 and should be applied retrospectively, but only to items of property, plant and equipment that are delivered to the correct location and in the condition necessary for operation in accordance with the intentions of management, at the beginning of the earliest period presented in the financial statements in which the entity first applies these amendments, or after this date. An entity shall recognize the cumulative effect of the initial application of the amendments as an adjustment to the opening retained earnings balance (or other component of equity, as the case may be) at the beginning of that earliest period presented.

Amendment to IAS 37 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts – Costs incurred in fulfilling a contract. IAS 37 defines an onerous contract as one in which the

unavoidable costs of fulfilling obligations exceed the economic benefits expected to be received under the contract. An unavoidable cost is the lower of the two: the net cost of exiting the contract or the cost of fulfilling the contract. The amendment clarifies the concept of "costs to fulfill a contract".

The amendment explains that the direct costs of fulfilling a contract include:

- additional costs for the execution of such a contract (for example, direct costs for labor and materials);
- allocation of other costs directly attributable to the execution of contracts (for example, the distribution of depreciation charges on the item of fixed assets that is used to fulfill the contract).

The amendment also clarifies that, before creating a separate allowance for an onerous contract, an entity recognizes an impairment loss incurred on assets used to fulfill the contract rather than assets allocated to fulfill the contract.

The application of this amendment may result in the recognition of more provisions for onerous contracts because some entities previously included only incremental costs in the cost of fulfilling a contract.

The amendment will enter into force on January 1, 2022. An entity shall apply these amendments to contracts for which it has not yet settled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). An entity shall not restate comparatives. An entity shall recognize the cumulative effect of the initial application of the amendments as an adjustment to the balance of retained earnings at the beginning of the period or to another component of equity at the date of initial application.

Annual Improvements to IFRS 2018-2020

Payments included in the "10% test" to derecognise financial liabilities. The amendment to IFRS 9 addresses the issue of which payments should be included in the '10% test' to derecognise financial liabilities. Costs or payments may be made to third parties or the lender. Under this amendment, costs or payments to third parties will not be included in the 10% test.

The amendment will enter into force on January 1, 2022. Applies to financial liabilities that are modified or modified on or after the start of the annual reporting period in which the entity first applies the amendment.

Illustrative examples accompanying IFRS 16 Leases. The Board has amended illustrative example 13 accompanying IFRS 16 to remove the example of lessor payments relating to leasehold improvements. This amendment is made to avoid any potential misunderstanding regarding the way leasehold improvements are accounted for.

The amendment will enter into force on January 1, 2022. There are no special provisions for the transitional period. The Bank does not anticipate a significant impact of changes and amendments to IFRS standards on its financial position and financial performance.

These standards did not have a significant impact on the Bank's financial statements.

Some new standards and interpretations have been published and are mandatory for annual periods beginning on or after January 1, 2023, and which the Bank has not applied yet.

IFRS 17 Insurance Contracts (including amendments). The IASB has issued IFRS 17 Insurance Contracts, which introduces consistent requirements for the accounting for insurance contracts. IFRS 17 replaces IFRS 4, which currently allows for a wide variety of practices. IFRS 17 will fundamentally change the accounting treatment for all entities that enter into insurance contracts and investment contracts with discretionary participation features.

IFRS 17 applies to insurance contracts issued and to reinsurance contracts issued and held and investment contracts with discretionary participation features by an entity that issues insurance contracts. Entities have a choice of accounting policies to account for certain fixed fee service contracts between IFRS 17 or IFRS 15. With respect to IFRS 4, entities can account for financial guarantee contracts by applying IFRS 17 if the entity has previously explicitly stated that it considers such contracts to be insurance contracts. The amendments to IFRS 17 additionally introduced scope exceptions for certain credit card (or similar) agreements and for certain loan agreements. Insurance contracts (other than reinsurance contracts) for which an entity is a policyholder are not subject to IFRS 17. Embedded production tools and distinct investment and service components must be "separated" and accounted for separately as required corresponding to IFRS. Voluntary separation of other components is prohibited.

IFRS 17 as revised June 2020 is effective for annual periods beginning on or after 1 January 2023, with early application permitted for entities that apply IFRS 9 Financial Instruments.

Amendments to IAS 1 Presentation of Financial Statements, to the Statement of Practice for the Application of IFRS 2 and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The IASB has amended IAS 1 Presentation of Financial Statements to require entities to disclose material information about their accounting policies rather than major accounting policies. The amendment defines significant accounting policy information as follows: "Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions made by the primary users of general financial statements. appointment based on those financial statements." The amendment also clarifies that accounting policy information would be considered material if, without it, users of the financial statements would be unable to understand the other material information contained in the financial statements.

In addition, the amendment to IAS 1 clarifies that disclosures of immaterial accounting policies are not required. However, if disclosed, it should not obscure significant accounting policy information. In support of this amendment, the Board also amended Statement 2 on IFRS practice to include guidance on how to apply the concept of materiality to disclosures of accounting policies. The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively to future transactions and other future events, while changes in accounting policies are usually applied retrospectively to past transactions and other past events, as well as to the current period.

These amendments should help organizations:

- improve the quality of disclosures about accounting policies, either by making the disclosures more specific to a particular entity or by reducing the disclosures of a general nature, which describe cases of application of IFRS that are understandable to everyone; And

- distinguish between changes in accounting estimates and changes in accounting policies. These amendments are not expected to have a significant impact on the preparation of the financial statements.

These amendments are not expected to have a significant impact on the preparation of the financial statements. These amendments should be applied to annual periods beginning on or after January 1, 2023. Early application is permitted. The amendments should be applied prospectively.

The Bank is currently studying the terms of these standards, their impact on the Bank and the timing of their application. Unless otherwise stated, these amendments are not expected to have a material effect on the Bank's financial statements.

Use of estimates. The preparation of financial statements in accordance with IFRS requires the use of professional judgment, assumptions and estimates by the management, which affect on how accounting policies are applied and in what amounts assets, liabilities, income and expenses are recognized. Actual results may differ from these estimates.

Accounting estimates and underlying assumptions are reviewed on an ongoing basis. Adjustments to accounting estimates are recognised in the reporting period in which the estimate is revised and in all subsequent periods, affected by such changes.

The most significant areas requiring the use of evaluative judgments and assumptions include:

- estimated liabilities for unused vacations;
- recognition of a deferred tax asset;
- contingent liabilities

Estimated liabilities for unused vacations. A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and provided that the amount of such obligation can be reliably measured.

The formation of estimated liabilities inherently involves the existence of significant judgments and estimates in this regard by the management.

Recognition of deferred tax asset. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The estimation of that probability includes judgments based on the expected performance. Various factors are used to assess the probability of the future utilisation of deferred tax assets, including past operating results, the operational plan, expiration of tax losses recovery term, and tax planning strategies. If actual results differ from these estimates or if these estimates must be adjusted in future periods, the financial position, results of operations and cash flows may be negatively

affected. If measurement of realization of deferred tax liabilities and assets should be reduced in the future, such reduction must be recognised in the statement of assets and liabilities.

Contingent liabilities. By their nature, contingent liabilities will be determined by the occurrence or non-occurrence of one or more future events. The assessment of such contingent liabilities inherently involves the formation of significant judgments and estimates of the outcome of future events.

4. Accounting policies

In preparing the financial statements, the Bank has used accounting policies described below. These accounting policies have been consistently applied to the reporting periods presented in these financial statements, unless indicated otherwise.

Foreign currency revaluation

Transactions in foreign currencies are initially recorded in Russian roubles at the exchange rate of of the CB of the RF at the date of the transaction. Foreign currency differences between contractual exchange rates of transactions and the official exchange rate of the CB of the RF at the dates of such transactions are included in the statement of comprehensive income as net gains from foreign exchange transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at Russia roubles at the official exchange rate of the CB of the RF at the reporting date.

Foreign currency differences arising from revaluation of such assets and liabilities are reported in the statement of comprehensive income as net gains from foreign currency revaluation.

Foreign currency differences arising in respect of available-for-sale monetary financial assets denominated in foreign currencies and caused by changing of their depreciated value are reported in the statement of comprehensive income and affect post-tax profit, and other changes in the balance sheet values of such financial assets are reported in the statement of comprehensive income and affect other components of the comprehensive income.

Foreign currency differences on non-monetary financial assets denominated in foreign currencies, such as shares measured at fair value through profit or loss are reported in the statement of comprehensive income as net gains from changes in their fair value. Foreign currency differences on shares available for sale are recorded in equity through revaluation reserve of financial assets available for sale.

As at 31 December 2022, the official exchange rate used for translating foreign currency balances made up RUR 70,3375 per USD 1, and RUR 75,6553 per EUR 1.

As at 31 December 2021, the official exchange rate used for translating foreign currency balances made up RUR 74,2926 per USD 1, and RUR 84,0695 per EUR 1.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances on current accounts. All short-term interbank placements, including overnight placements, are included in funds in other banks. Amounts that are subject to restrictions on their availability are not included in cash and cash equivalents.

Mandatory cash balances with the Central Bank of Russia

Mandatory cash balances with the Central Bank of Russia represent mandatory reserve deposits with the Central Bank of Russia, and are not intended to finance daily operations of the Bank. Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the Central Bank of Russia, the amount of which depends on the level of funds attracted by the credit institution. The legislation provides for serious restrictions on the withdrawal of such deposit. Consequently, they are excluded from cash and cash equivalents for the purpose of preparing the cash flow statement.

Financial assets

Financial instruments are key for the evaluation. Depending on their classification, financial instruments are reported at fair or depreciated value.

Initial recognition of financial instruments. At their initial recognition, the Bank measures a financial asset or financial liability at fair value plus or minus, in the case of a financial asset of financial

liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

The fair value of a financial instrument at initial recognition is the transaction price.

Classification of financial instruments. From 1 January 2018, at its initial recognition, a financial asset is classified as that measured at depreciated value, at fair value through other comprehensive income or at fair value through profit or loss.

A financial asset is measured at depreciated value if both of the following conditions are met:

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

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial assets is held within a business model whose objective is achieved by both collecting contractual cash flows and by sale of financial assets, and
- b) 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 outstanding.

A financial asset is measured at fair value through profit or loss, except when it is measured at depreciated value or at fair value through other comprehensive income. At the same time, the Bank, at initial recognition of investments in equity instruments that would otherwise be measured at fair value through profit or loss, may elect, at its sole discretion, without the right of subsequent revocation, to present subsequent changes in their fair value as other comprehensive income.

Business model assessment. The Bank's business model is determined at a level that reflects how the grouped financial instruments are managed to achieve a specific objective of the Bank's line of business, and is independent of the Bank's intentions with respect to a particular instrument. However, the Bank may use more than one business model to manage its financial instruments.

The business model used by the Bank describes the way the Bank manages groups of its financial assets for the purpose of generating cash flows. If the cash flows are realized in a manner that differs from the Bank's expectations at the date of the business model assessment, this does not constitute a basis for reflecting a prior period error in the entity's financial statements and does not change the classification of the remaining financial assets held in accordance with this business model, provided that the Bank has taken into account all relevant information available at the time of the business model assessment. However, when the Bank assesses the business model for newly created or recently acquired financial assets, it takes into account information about how past cash flows were realized, together with all other relevant information.

The business model used by the Bank for managing financial assets is determined based on the following factors:

- a) how the performance of the business model and the returns on the financial assets held within such business model are assessed and how this information is communicated to the key managerial staff of the Bank;
- b) the risks that affect the performance of the business model (and the returns on the financial assets held within such business model) and how these risks are managed; and
- c) the manner in which the managers engaged in management of the line of business to which the group of assets belongs within the business model under consideration is rewarded.

As part of the classification, the Bank identifies the following general classes of business models:

- a business model, whose objective is to hold assets in order to collect contractual cash flows (hereinafter - HTC);
- a business model, whose objective is achieved by collecting contractual cash flows and by sales of assets (hereinafter - HTCS);
- other (accounting at fair value through profit or loss).

The objective of the HTC business model is to receive contractual payments over the life of an instrument. Within this model, sales of assets are possible, but happen rarely, and sales volumes are not significant.

The Bank allows the sale of a significant amount of assets attributed to the HTC business model in the event of a significant increase in credit risk (as understood in the Bank's Regulations on the calculation of the provision for expected credit losses). To determine whether there has been an increase in the credit risk on the assets, the Bank analyses reasonable and supportable information, including forecasting information. The Bank also leaves open the possibility of a significant sale of assets attributed to the HTC business model in the cases when an asset reaches the end of its useful life.

The objective of the HTCS business model is achieved through the receipt of contractual flows from an instrument, as well as through its sale. Unlike the HTC model, one of the tasks of this model is liquidity management, in connection with which a more substantial volume of sales and/or more frequent sales are assumed or allowed.

All other business models, in one way or another, include a class of business models other than HTC or HTCS. This business model includes assets that are carried at fair value through profit or loss.

The SPPI test is a test of contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Bank classifies a financial asset based on its contractual cash flow characteristics if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, or within a business model whose objective is achieved by both collecting contractual cash flows and by sales of financial assets (the HTC and HTCS models). To this end, the Bank performs the SPPI test to determine whether contractual cash flows of the asset are solely payments of principal and interest on the principal amount outstanding.

Reclassification of financial assets. The Bank reclassifies financial assets only when the business model changes. Such changes are determined by the decision of the Bank's management as a result of external or internal changes and should be significant for the Bank's business and obvious to external parties. Accordingly, a change in the Bank's business model occurs when, and only when, the Bank begins or ceases to carry out significant activities.

Financial liabilities.

The Bank classifies all financial liabilities as those to be measured subsequently at fair value, except for:

- a) financial liabilities to be measured at fair value through profit or loss. Such liabilities are subsequently measured at fair value;
- b) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement accounting principle is applied;
- c) financial guarantee contracts
- d) obligations to provide a loan at an interest rate below the market one.
- e) a contingent consideration recognized by the acquirer in case of a business combination. Such contingent consideration is subsequently measured at fair value with changes in fair value recognized in profit or loss.

Interest income and expenses calculated using the effective interest rate method. Interest income is calculated using the effective interest rate method, which means that the effective interest rate is applied to the gross carrying amount of the financial asset, except for:

- a) acquired or originated credit-impaired financial assets. For such financial assets, the Bank applies the effective interest rate, adjusted for credit risk, to the depreciated value of the financial asset from the date of the initial recognition;
- b) financial assets that are not acquired or originated credit-impaired financial assets, but which subsequently become credit-impaired financial assets. For such financial assets, the Bank applies the effective interest rate to the depreciated value of the financial asset in subsequent reporting periods.

Fees that form an integral part of the effective interest rate of a financial instrument include:

- a) fees for preparatory work received by the Bank in connection with the creation or acquisition of a financial asset. Such fees may include compensation for such activities as assessing the financial position of the borrower, assessing and issuing guarantees, collateral and other collateral agreements, negotiating the terms and conditions for the instrument, preparing and processing documents, and executing the transaction.

- b) commission fees received by the Bank for its contractual obligation to provide a loan in the future, if it is probable that the Bank may enter into a specific loan agreement.

c) costs for preparatory work paid to the Bank on issue of a financial liability measured at depreciated value.

If a financial asset contains a contractual clause that could change the timing or amount of its contractual cash flows (for example, if an asset can be redeemed before its maturity or if its life can be extended), the Bank measures contractual cash flows that could arise both before and after changes in the contractual cash flows.

In cases where the life of a financial instrument is not fixed due to the nature of the contract or the practice applied by the Bank (for example, when, based on the Bank's practice, assets of a particular group should be redeemed early), or the life of the instrument does not correspond to the actual life of the asset (for example, when a card is still active, although the loan with which it was serviced has been repaid) the Bank measures the expected life of the instrument based on its own statistics on similar instruments.

Write-off. The Bank directly reduces the gross carrying amount of a financial asset if the Bank does not have reasonable expectations that the financial asset will be recovered in full or in part. Such an event is the basis for derecognition.

Financial guarantees. After the initial recognition of a financial guarantee, the Bank subsequently measures such a contract at the higher of:

- the amount of the valuation reserve for expected credit losses;
- the amount of costs initially recognized under the contract less the total amount of income recognized in accordance with the principles of IAS 15.

Investment property

Investment property (a land or building or a substantial part of a building) means property held by the Bank (as an owner or lessee under a finance lease) for the purpose of receiving lease payment or capital gains or both, but not for use in the core activities of the Bank, for administrative purposes or for sale in the ordinary course of business.

Investment properties are reported at their historical cost less accumulated depreciation and impairment (where applicable). Historical cost includes costs directly attributable to the acquisition of items. Depreciation on investment properties is calculated using the straight-line method to write down their historical cost to their residual values using the following annual rates of depreciation: non-residential premises - 3%.

Non-current assets held for sale

Non-current assets are classified as "held for sale" if the recovery of their carrying amount will occur through sale and not through continuing use. A non-current asset (or disposal group) shall be classified as held for sale if all of the following criteria are met:

- the non-current asset (or disposal group) is ready for immediate sale in its current state;
- there is a high probability of the sale of this non-current asset (or disposal group), which is confirmed by the existence of a decision (plan) approved by the entity to sell the non-current asset (or disposal group), the actual adherence to such decision (plan) by the entity and the search for a buyer of the non-current asset (or disposal group) at a price comparable to its current fair value;
- it is expected that the period required for the sale does not exceed one year from the date when the non-current asset (or disposal group) is classified as held for sale.

Non-current assets (non-current assets being part of a disposal group) stop being depreciated when they are classified as held for sale or distribution.

Non-current assets (or disposal groups) held for sale or distribution are measured at the lower of their carrying amount and fair value less costs of sale or distribution.

Costs of sale or distribution include additional costs directly attributable to the disposal of a non-current asset (or disposal group), excluding costs associated with raising funds, including interest and income tax expenses.

Fixed assets

Fixed assets are accounted for at historical cost or restated cost (see Section "Accounting for the effects of hyperinflation" in Note 3) less accumulated depreciation and impairment (where applicable). The historical cost includes costs directly attributable to the acquisition of items.

Subsequent costs are included in the carrying amount of an asset or recognized as a separate asset only when it is highly probable that the future economic benefits associated with the item will flow to the Bank and the cost of the item can be reliably measured. All other repair and maintenance costs are reported in other operating expenses as incurred.

Depreciation

Depreciation on fixed assets is calculated using the straight-line method to write down their historical cost or restated cost to their residual values.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Depreciable assets are tested for impairment if events or changes in circumstances indicate that their carrying value may not be recoverable. The carrying amount of an asset is immediately reduced to its recoverable amount, if the carrying amount of the asset is greater than its recoverable amount which is defined as the higher of fair value less costs to sell and value in use. In this case, a positive revaluation of an asset (if any) is first excluded and then the remaining difference between the carrying amount and recoverable amount of the asset is recognized in the statement of comprehensive income as an expense from impairment of fixed assets.

Income and expenses arising as a result of disposal of fixed assets are determined on the basis of their carrying amount and are accounted for in the statement of comprehensive income.

Intangible assets

Purchased software is recorded as intangible assets at historical cost which includes its purchase price and direct costs attributable to bringing it to a working condition for its intended use. Software is using the straight-line method to write down over its useful life (no more than 20 years). Costs associated with operation of software are included in other operating expenses as incurred.

Finance lease

As a lessee, the Bank recognizes a right-of-use asset and a lease liability as of the commencement date of the lease. A right-of-use asset is initially measured at historical cost and subsequently at historical cost less accumulated depreciation and impairment losses, and is adjusted to reflect certain revaluations of the lease liability.

A lease liability is initially measured at the present value of the lease payments not yet made as of the commencement date, discounted at the Bank's rate applicable to debt financing. The carrying amount of the lease liability is subsequently increased by the interest on the lease liability and decreased by the lease payments made.

Operating lease

As a lessee under contracts not classified as finance leases, the Bank recognizes payments under operating lease contracts on a straight-line basis in the statement of comprehensive income as other operating expenses over the period of the lease.

As a lessor, the Bank recognizes operating lease assets in the statement of financial position based on the nature of those assets. Lease income from operating lease contracts is recognized in the statement of comprehensive income on a straight-line basis over the period of the lease as other operating income. Initial direct costs incurred to generate operating lease income are expensed in the statement of comprehensive income in the period in which they are incurred.

Authorized capital

Authorized capital is accounted for at restated cost (see "Accounting for the effects of hyperinflation" in Note 3).

When the Bank repurchases its own shares, the consideration paid reduces equity and is recognized as repurchased own shares until they are sold. When these shares are subsequently sold, the consideration received is included in equity.

Dividends

Dividends are recognized in the statement of changes in equity as a distribution of profits in the period in which they are approved by the general meeting of shareholders of the Bank. Dividends declared after the reporting date are disclosed in the subsequent events note. The statutory accounting reports are the basis for payment of dividends and other profit distribution.

Financial guarantee contracts

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognized at fair value at the date when they were given and are subsequently measured at the higher of: (1) the amount initially recognized, less accumulated depreciation, calculated to recognize fee and commission income in the statement of comprehensive income on a straight-line basis over the term of such guarantee, and (2) the best estimate of expenditure required to fulfill the obligations under financial guarantees held at the reporting date. These estimates are based on historical experience of incurred losses in similar transactions and are accompanied by professional judgment by the management.

Staff costs and associated costs

Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued as the associated services are rendered by the employees of the Bank. Contributions to the state pension and social insurance funds are calculated as a percentage of the current payroll budget and are reflected in staff costs in the period in which the corresponding salaries or wages are accrued.

Other than participating in the Russian Federation State Pension System, the Bank does not have any additional retirement plans.

Income tax

The financial statements reflect tax expenses in accordance with the requirements of the current laws of the Russian Federation. Taxation of profit and loss for the year includes current tax and changes in deferred taxation. Current tax is calculated based on the expected taxable profit for the year based on the income tax rates in effect at the reporting date. Taxes, other than on income, are recorded within administrative expenses.

Deferred income tax is provided in full, using the balance sheet liability method, for all temporary differences arising between the value of taxable assets and liabilities and their carrying values according to these financial statements.

Deferred tax assets are reviewed at each reporting date and are accounted for only to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences may be used.

Deferred tax assets and liabilities are determined at tax rates that are expected to be applied in the period when the assets will be realised or the liabilities will be settled, based on the tax rates which have been enacted or substantially enacted at the reporting date.

5. Cash and cash equivalents

	2022	2021
Cash	853 656	454 918
Account balances with the Central Bank of Russia (except for mandatory cash balances)	208 376	344 778
Correspondent accounts and overnight deposits with banks of:	441 037	1 982 595
the Russian Federation	117 487	1 819 571
other countries	323 550	163 024
Other funds with financial institutions	157 319	110 048
Funds in precious metals	3 977 260	389 410

JSC "REALIST BANK"**Consolidated Financial Statements for the year ended December 31, 2022***(in thousands Russian Rubles)*

<i>Provisions for expected credit losses</i>	-	-
<i>Total cash and cash equivalents</i>	5 637 648	3 281 749

Information on liquidity risk, currency risk and other risks is disclosed in Note 22. Information on fair value is disclosed in Note 24. Information on transactions with related parties is disclosed in Note 25.

6. Financial assets measured at fair value through profit or loss

	2022	2021
<i>Russian government bonds</i>	349 207	571 412
<i>Municipal bonds</i>	59 576	60 217
<i>Corporate bonds</i>	941 239	756 431
<i>Derivative financial instruments</i>	477	5 661
<i>Total financial assets measured at fair value through profit or loss</i>	1 350 499	1 393 721

Information on liquidity risk, currency risk and other risks is disclosed in Note 22. Information on fair value is disclosed in Note 24. Information on transactions with related parties is disclosed in Note 25.

7. Due from other banks

	2022	2021
<i>Current loans and deposits with other banks</i>	-	-
<i>Deposits with the Central Bank of Russia</i>	2 710 000	2 010 847
<i>Other allocated funds</i>	1 722 354	9 575
<i>Provisions for expected credit losses</i>	(107 689)	(102)
<i>Total due from other banks</i>	4 324 665	2 020 320

Information on liquidity risk, currency risk and other risks is disclosed in Note 22. Information on fair value is disclosed in Note 24. Information on transactions with related parties is disclosed in Note 25.

8. Loans and receivables

	2022	2021
<i>Loans to corporate customers</i>	6 636 473	6 086 079
<i>Loans to individual entrepreneurs</i>	208 174	249 156
<i>Loans to individuals</i>	4 014 869	4 623 764
<i>Leasing</i>	3 091 685	1 876 468
<i>Accounts receivable</i>	722 405	304 508
<i>Less provisions for impairment losses</i>	(2 411 326)	(1 683 757)
<i>Total loans and receivables</i>	12 262 280	11 456 218

The table below shows the analysis of the change in the provisions for expected credit losses in 2022:

	Stage 1	Stage 2	Stage 3	Total
--	---------	---------	---------	-------

JSC "REALIST BANK"

Consolidated Financial Statements for the year ended December 31, 2022

(in thousands Russian Rubles)

Provision for expected credit losses as of January 01, 2022	163 235	364 834	1 155 688	1 683 757
Transfers to stage 1	2 742	(2 729)	(13)	-
Transfers to stage 2	(324 272)	447 097	(122 825)	-
Transfers to stage 3	(197 885)	(101 990)	299 875	-
(Recovery of provision)/ allocation to provision for expected credit losses	500 085	598 400	(62 455)	1 036 030
Loans and receivables from customers written off as bad ones	-	-	(308 070)	(308 070)
Other changes	-	-	(391)	(391)
Provision for expected credit losses as of January 01, 2023	143 905	1 305 612	961 809	2 411 326

The table below shows the analysis of the change in the provisions for expected credit losses in 2021:

	Stage 1	Stage 2	Stage 3	Total
Provision for expected credit losses as of January 01, 2021	384 860	189 671	1 251 598	1 826 129
Transfers to stage 1	2 304	(2 232)	(72)	-
Transfers to stage 2	(28 836)	128 308	(99 472)	-
Transfers to stage 3	(22 456)	(6 405)	28 861	-
(Recovery of provision)/ allocation to provision for expected credit losses	(172 637)	55 492	384 215	267 070
Loans and receivables from customers written off as bad ones	-	-	(510 123)	(510 123)
Other changes	-	-	100 681	100 681
Provision for expected credit losses as of January 01, 2022	163 235	364 834	1 155 688	1 683 757

The table below shows the analysis of the change in the gross value of loans and receivables for the year 2022:

	Stage 1	Stage 2	Stage 3	Total
Gross value of loans as of January 01, 2022	8 829 805	3 109 994	1 200 176	13 139 975
Transfers to stage 1	216 901	(215 652)	(1 249)	-
Transfers to stage 2	(891 465)	1 159 237	(267 772)	-
Transfers to stage 3	(200 857)	(103 496)	304 353	-
Net balance of recognition/termination of financial assets	1 751 095	42 832	(260 296)	1 533 631
Other changes	-	-	-	-
Gross value of loans as of January 01, 2023	9 705 479	3 992 915	975 212	14 673 606

The table below shows the analysis of the change in the gross value of loans and receivables for the year 2021:

	Stage 1	Stage 2	Stage 3	Total
Gross value of loans as of January 01, 2021	10 731 307	879 074	1 309 791	12 920 172
Transfers to stage 1	40 363	(40 135)	(228)	-
Transfers to stage 2	(82 120)	232 159	(150 039)	-
Transfers to stage 3	(23 487)	(6 632)	30 119	-
Net balance of recognition/termination of financial assets	(1 836 258)	2 045 528	10 533	219 803
Other changes	-	-	-	-
Gross value of loans as of January 01, 2022	8 829 805	3 109 994	1 200 176	13 139 975

The table below shows the analysis of credit quality as of the end of 2022:

	Loans to corporate customers	Loans to individual entrepreneurs	Loans to individuals	Leasing	Accounts receivable	Total
--	------------------------------	-----------------------------------	----------------------	---------	---------------------	-------

JSC "REALIST BANK"

Consolidated Financial Statements for the year ended December 31, 2022

(in thousands Russian Rubles)

Loans						
Stage 1	3 451 679	133 263	3 351 601	2 492 383	276 553	9 705 479
Stage 2	2 859 538	49 077	483 482	464 679	136 139	3 992 915
Stage 3	325 256	25 834	179 786	134 623	309 713	975 212
Loans and receivables before provisions	6 636 473	208 174	4 014 869	3 091 685	722 405	14 673 606
Provisions						
Stage 1	42 685	1 868	38 014	56 816	4 522	143 905
Stage 2	879 135	18 846	219 442	184 386	3 803	1 305 612
Stage 3	320 205	25 433	177 477	132 533	306 161	961 809
Total provisions	1 242 025	46 147	434 933	373 735	314 486	2 411 326
Total loans and receivables	5 394 448	162 027	3 579 936	2 717 950	407 919	12 262 280

The table below shows the analysis of credit quality as of the end of 2021:

	Loans to corporate customers	Loans to individual entrepreneurs	Loans to individuals	Leasing	Accounts receivable	Total
Loans						
Stage 1	3 256 432	175 788	3 624 980	1 661 251	111 354	8 829 805
Stage 2	2 155 696	62 045	693 557	195 727	2 969	3 109 994
Stage 3	673 951	11 323	305 227	19 490	190 185	1 200 176
Loans and receivables before provisions	6 086 079	249 156	4 623 764	1 876 468	304 508	13 139 975
Provisions						
Stage 1	29 106	1 851	108 658	23 196	424	163 235
Stage 2	131 519	7 968	184 508	39 831	1 008	364 834
Stage 3	657 175	10 754	278 196	19 478	190 085	1 155 688
Total provisions	817 800	20 573	571 362	82 505	191 517	1 683 757
Total loans and receivables	5 268 279	228 583	4 052 402	1 793 963	112 991	11 456 218

Information on liquidity risk, currency risk and other risks is disclosed in Note 22. Information on fair value is disclosed in Note 24. Information on transactions with related parties is disclosed in Note 25.

9. Fixed assets, intangible assets and right-of-use assets

2022	Fixed assets	Intangible assets	Right-of-use assets	Capital investment	Total
Carrying amount at the beginning of the year	49 388	13 007	112 480	-	174 875
Cost/valuation					
Opening balance	141 575	27 090	254 590	-	423 255
Acquisition	5 185	-	731	9 660	15 576
Revaluation	(2 798)	-	(3 261)	(8 192)	(14 251)
Retirement	-	-	142 940	-	142 940
Closing balance	143 962	27 090	395 000	1 468	567 520
Accumulated depreciation					
Opening balance	92 187	14 083	142 110	-	248 380
Depreciation expenses (Note 21)	15 386	1 842	89 811	-	107 039
Retirement	(1 358)	-	(2 495)	-	(3 853)

JSC "REALIST BANK"

Consolidated Financial Statements for the year ended December 31, 2022

(in thousands Russian Rubles)

Closing balance	106 215	15 925	229 426	-	351 566
Carrying amount at the end of the year	37 747	11 165	165 574	1 468	215 954

2021	Fixed assets	Intangible assets	Right-of-use assets	Capital investment	Total
Carrying amount at the beginning of the year	69 808	15 054	199 518	404	284 784
Cost/valuation					
Opening balance	154 666	29 330	267 860	404	452 260
Acquisition	5 210	5	4 331	9 142	18 688
Revaluation	-	-	16 675	-	16 675
Retirement	(18 301)	(2 245)	(34 276)	(9 546)	(64 368)
Closing balance	141 575	27 090	254 590	-	423 255
Accumulated depreciation					
Opening balance	84 858	14 276	68 342	-	167 476
Depreciation expenses (Note 21)	20 558	2 016	98 372	-	120 946
Retirement	(13 229)	(2 209)	(24 604)	-	(40 042)
Closing balance	92 187	14 083	142 110	-	248 380
Carrying amount at the end of the year	49 388	13 007	112 480	-	174 875

Information on fair value is disclosed in Note 24.

10. Disposal groups and non-current assets classified as held for sale

The table below shows the analysis of the change in the non-current assets classified as held for sale:

	2022	2021
Balance as of the beginning of the period	130 150	151 002
Acquisition	303 666	-
Revaluation	(26 202)	(19 826)
Retirement	(178 708)	(1 026)
Closing balance	228 906	130 150

In 2021 The Bank made a decision to sell its share in LLC "Realist-Leasing". The table below shows the net assets of LLC "Realist-Leasing" as of December 31, 2021 when it was sold, and profit (loss) from discontinued operations of the Bank:

	31.12.2021
Assets	
Cash and cash equivalents	1 023
Due from other banks	60 700
Fixed assets and intangible assets	4 851
Other assets	2 428
Total assets	69 002
Liabilities	
Borrowed funds	1 046

JSC "REALIST BANK"*Consolidated Financial Statements for the year ended December 31, 2022**(in thousands Russian Rubles)*

Other liabilities	57 515
Total liabilities	58 561
Net assets	14 357
Interest income	214 737
Interest expenses	(63 344)
Net interest income	151 393
Administrative and other operating expenses	(122 730)
Income before tax	28 663
(Expenses)/refund under income tax	(6 893)
Profit or loss from discontinued operations	21 770
Profit or loss from disposal of the discontinued operations	57 766
Net profit or loss from discontinued operations	79 536

Information on fair value is disclosed in Note 24.

11. Other assets

	2022	2021
<i>Prepayment for taxes other than income tax</i>	116 688	168 773
<i>Prepayment for goods and services</i>	24 433	131 210
<i>Other outstanding accounts</i>	26 166	14 607
<i>Other financial assets</i>	95 821	181 087
<i>Other non-financial assets</i>	25 175	69 523
<i>Provisions for impairment of other non-financial assets</i>	(101 059)	(82 916)
Total other assets	187 224	482 284

Changes in provisions for impairment of other assets was as follows:

	2022	2021
Provisions for impairment of other assets as of January 1	(82 916)	(128 735)
<i>Provisions Recovery/(Creation)</i>	(33 383)	41 968
<i>Amounts written off during the year as bad debts</i>	15 240	3 851
Provisions for impairment of other assets as of December 31	(101 059)	(82 916)

Information on fair value is disclosed in Note 24.

12. Due to customers

	2022	2021
State and municipal organizations:	11 698	44 590
- Current/settlement accounts	11 698	40 590
- Fixed deposits	-	4 000

JSC "REALIST BANK"**Consolidated Financial Statements for the year ended December 31, 2022***(in thousands Russian Rubles)*

Other legal entities and entrepreneurs:	9 323 642	5 453 695
- Current/settlement accounts	7 121 272	2 112 234
- Fixed deposits	2 202 370	3 341 461
Individuals:	7 112 180	7 032 359
- Current accounts/on call accounts	1 387 299	1 452 101
- Term deposits	5 724 881	5 580 258
Total due to customers	16 447 520	12 530 644

During 2021-2022 the Bank did not did not admit any cases of non-payment of liabilities to pay principal of loan and interest or violation of other conditions in relation to attracted customer funds.

Below is an analysis of distribution of customers by industries:

	2022	2021
Extractive industry	4 140 753	1 786 001
Construction	1 130 971	460 571
Transport and communications	427 544	167 960
Production	369 992	467 270
Trade	1 452 633	1 100 705
Insurance and other financial services	440 173	922 325
Real estate	538 954	101 039
Other	834 320	492 414
Individuals	7 112 180	7 032 359
Total	16 447 520	12 530 644

Information on liquidity risk, currency risk and other risks is disclosed in Note 22. Information on fair value is disclosed in Note 24. Information on transactions with related parties is disclosed in Note 25.

13. Debt securities issued

	2022	2021
<i>Bills of exchange</i>	623 864	480 609
Total	623 864	480 609

During 2021-2022, the Bank did not admit any cases of non-payment of liabilities to pay principal of loan and interest or violation of other conditions in relation to liabilities under debt securities issued.

14. Other borrowed funds

Other borrowed funds are mainly represented by subordinated loans:

	Maturity date	Interest rate	2022	2021
<i>Loan from LLC "MORTON-RSO"</i>	08.12.2022	2,60%	-	229 905
Total subordinated loans			-	229 905

In the event of bankruptcy or liquidation of the Bank, subordinated loans repayment shall be made after payment of the Bank's liabilities to all other creditors.

15. Other liabilities

	2022	2021
Financial liabilities:	1 363 955	765 112
<i>Non-financial guarantee contracts</i>	787 449	622 470
<i>Lease liabilities</i>	177 477	126 606
<i>Other outstanding accounts</i>	205 678	200
<i>Liabilities to pay dividends</i>	210	209
<i>Other</i>	193 141	15 627
Other non-financial liabilities:	486 799	461 517
<i>Accrued staff compensation costs</i>	63 463	75 728
<i>Taxes payable other than income tax</i>	323 512	280 041
<i>Other</i>	99 824	105 748
Total other liabilities	1 850 754	1 226 629

16. Authorized capital

The authorized share capital of the Bank, issued and fully paid, includes the following items:

	As of 01.01.2023		As of 01.01.2022	
	Number of shares (pcs.)	Nominal value (thous. rub.)	Number of shares (pcs.)	Nominal value (thous. rub.)
Ordinary shares	161 320 875	806 604,375	161 320 875	806 604,375
Preference shares	300 000	1 500	300 000	1 500
Total authorized capital	161 620 875	808 104,375	161 620 875	808 104,375
Total authorized capital including inflation	X	1 456 548	X	1 456 548

The increase in the authorized capital in 2020 resulted from the merger of JSC "Bank Realist".

17. Interest income and expense

	2022	2021
Interest income		
<i>Loans and advances to customers</i>	2 350 636	1 979 753
<i>Due from other banks</i>	244 705	6 524
<i>Financial assets held for sale</i>	106 395	110 896

JSC "REALIST BANK"**Consolidated Financial Statements for the year ended December 31, 2022***(in thousands Russian Rubles)*

Total interest income	2 701 736	2 097 173
Interest expenses		
Due to customers	(849 357)	(366 310)
Debt securities issued	(46 353)	(115 343)
Due to Banks	(856)	(21 050)
Total interest expense	(896 566)	(502 703)
Net interest income	1 805 170	1 594 470

18. Fee and commission income and expense

	2022	2021
Fee and commission income		
Commission for settlement and cash operations and account management	95 609	88 230
Commission on issued guarantees	677 523	573 725
Other	10 781	12 333
Total fee and commission income	783 913	674 288
Fee and commission expense		
Commission for settlement and cash operations and account management	(41 593)	(69 912)
Other	(322 503)	(282 583)
Total fee and commission expense	(364 096)	(352 495)
Net fee and commission income	419 817	321 793

19. Other operating income

	2022	2021
Income from transactions with issued securities	182	24 111
Income from transactions with property	41 717	9 680
Other	130 606	74 694
Total other operating income	172 505	108 485

20. Administrative and operating expense

	2022	2021
Personnel expenses	(778 953)	(715 648)
Professional services (security, communication, etc.) expenses	(56 358)	(48 947)
Operating lease rent	(5 266)	(5 388)
Depreciation of fixed assets, intangible assets and right-of-use assets	(107 039)	(120 946)
Expenses related to fixed assets and intangible assets	(176 291)	(83 790)
Other taxes excluding income tax	(3 563)	(4 554)
Insurance	(62 766)	(97 819)

JSC "REALIST BANK"

Consolidated Financial Statements for the year ended December 31, 2022

(in thousands Russian Rubles)

<i>Administrative and other expenses</i>	(153 464)	(115 152)
Total operating expense	(1 343 700)	(1 192 244)

21. Income tax

Income tax expense for 2021-2022 recognized in the statement of comprehensive income includes the following components:

	2022	2021
<i>Current income tax expenses</i>	232 508	107 472
<i>Changes in deferred taxation related to uprise and write-off of temporary differences</i>	-	-
Expenses/(refund) under income tax for the year	232 508	107 472

Current income tax rate applicable to the majority of the Bank's profits was 20% in 2022 (2021: 20%).

The table below shows the comparison of the theoretical and actual income tax expense, calculated based on the officially established rate:

	2022	2021
Profit/(loss) before tax in accordance with IFRS	791 695	552 306
Theoretical tax deductions at an appropriate rate of 20% (2016: 20%)	158 339	110 461
<i>Impact of rate changes</i>	-	-
<i>Impact of constant differences</i>	80 647	(5 523)
<i>Impact of change in unrecognized deferred tax</i>	(6 478)	2 534
<i>Other changes</i>	-	-
Expenses/(refund) under income tax for the year	232 508	107 472

The table below shows the information about changes in the structure of deferred tax for 2022:

	2022	change	2021
<i>Impact of temporary differences</i>			
<i>Financial assets at amortized cost</i>	18 262	335	17 927
<i>Financial assets at fair value</i>	4 664	(10 958)	15 622
<i>Fixed assets and intangible assets</i>	(58 398)	(64 059)	5 661
<i>Rent</i>	(17 232)	(20 057)	2 825
<i>Contingent liabilities</i>	164 757	67 469	97 288
<i>Other assets and liabilities</i>	35 794	20 792	15 002
Net deferred tax asset (liability)	147 847	(6 478)	154 325
<i>incl. recognized as a part of profit/loss</i>	-	-	-
<i>other comprehensive income</i>	-	-	-

The table below shows the information about changes in the structure of deferred tax for 2021:

	2021	change	2020
<i>Impact of temporary differences</i>			
<i>Financial assets at amortized cost</i>	17 927	(17 088)	35 015

<i>Financial assets at fair value</i>	15 622	14 904	718
<i>Fixed assets and intangible assets</i>	5 661	(9 474)	15 135
<i>Rent</i>	2 825	550	2 275
<i>Contingent liabilities</i>	97 288	15 141	82 147
<i>Other assets and liabilities</i>	15 002	(6 567)	21 569
<i>Net deferred tax asset (liability)</i>	154 325	(2 534)	156 859
<i>incl. recognized as a part of profit/loss</i>	-	-	-
<i>other comprehensive income</i>	-	-	-

The Bank prepares income tax calculations for the current period based on tax accounting data, carried out in accordance with the requirements of the tax law of the Russian Federation. Differences between IFRS and the tax law of the Russian Federation give rise to certain temporary differences between the carrying values of certain assets and liabilities for financial reporting and income tax calculation purposes. Taxable profit calculated in accordance with Russian law is different from profit calculated in accordance with IFRS. This is due to the fact that some types of income and expenses reflected in financial accounting are not taken into account for tax purposes due to the tax law specifics. The result is permanent tax difference. Therewith there are tax differences caused by differences in the methods of accounting for assets and liabilities, income and expenses in financial and tax accounting - these are temporary tax differences.

Differences between IFRS and the tax law of the Russian Federation give rise to temporary differences between the carrying amounts of certain assets and liabilities for financial reporting and tax purposes. The tax effect of changes of these temporary differences is reflected at the official rate of 20% (2021: 20%).

22. Risk management

The Bank's operations are subject to various financial risks. Risk management is fundamental to the banking business and is an essential element of the Bank's operations. The risk management objective is achievement of an acceptable ratio of risk and profitability and minimizing the possible negative impact of risks on the Bank financial performance. The financial risk management policy developed by the Bank is aimed at identifying and analyzing credit and market risks, as well as liquidity risk, setting appropriate limits and control procedures, and monitoring compliance with limits using reliable and up-to-date information systems.

The Bank operates the risk management system that allows considering them both at the stage of making management decisions and in the process of carrying out banking activities. This system is based on the early revelation of possible risks, their identification and classification; analysis, measurement and assessment of risk operations, as well as on application of specific methods of banking risk management. When creating the risk management system, the Bank takes into account recommendations of Basel Committee on Banking Supervision and Regulation. The ultimate objective of risk management is to help achieve an optimal balance of risk and profitability as a result of various operations of the Bank.

The Bank has a multilevel structure of risk management bodies:

- Board of Directors;
- Management Board, Chairman of the Management Board;
- Assets and Liabilities Management Committee;
- Credit committees;
- Risk Management Department (Risk Management Service);
- Financial Compliance Service;
- Internal Audit Service.

22.1 Geographic risk

JSC "REALIST BANK"**Consolidated Financial Statements for the year ended December 31, 2022***(in thousands Russian Rubles)*

The table below shows a geographical analysis of the Bank's assets and liabilities as of 31.12.2022:

	Russian Federation	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	5 314 098	323 550	-	5 637 648
Mandatory cash balances with the Central Bank of the Russian Federation	21 670	-	-	21 670
Financial assets measured at fair value through profit or loss, held for sale	1 350 499	-	-	1 350 499
Due from other banks	4 324 665	-	-	4 324 665
Loans and receivables	12 262 280	-	-	12 262 280
Current income tax claims	-	-	-	-
Deferred tax asset	-	-	-	-
Fixed assets and intangible assets	215 954	-	-	215 954
Non-current assets classified as held for sale	228 906	-	-	228 906
Other assets	187 224	-	-	187 224
Total assets	23 905 296	323 550	-	24 228 846
Liabilities				
Due to banks	-	-	-	-
Due to customers	16 447 520	-	-	16 447 520
Debt securities issued	623 864	-	-	623 864
Financial liabilities measured at fair value through profit or loss	20 545	-	-	20 545
Current income tax liabilities	64 866	-	-	64 866
Provisions for contingent liabilities	624 041	-	-	624 041
Other liabilities	1 850 754	-	-	1 850 754
Subordinated loans	-	-	-	-
Total liabilities	19 631 590	-	-	19 631 590
Net balance sheet item	4 273 706	323 550	-	4 597 256
Credit related liabilities	21 464 217	-	-	21 464 217

The table below shows a geographical analysis of the Bank's assets and liabilities as of 31.12.2021:

	Russian Federation	OECD*	Other countries	Total
Assets				
Cash and cash equivalents	3 118 725	163 024	-	3 281 749
Mandatory cash balances with the Central Bank of the Russian Federation	97 028	-	-	97 028
Financial assets measured at fair value through profit or loss, held for sale	1 393 721	-	-	1 393 721
Due from other banks	2 020 320	-	-	2 020 320
Loans and receivables	11 456 218	-	-	11 456 218
Current income tax claims	2 259	-	-	2 259
Deferred tax asset	-	-	-	-
Fixed assets and intangible assets	174 875	-	-	174 875
Non-current assets classified as held for sale	130 150	-	-	130 150
Other assets	482 284	-	-	482 284
Total assets	18 875 580	163 024	-	19 038 604
Liabilities				
Due to banks	-	-	-	-
Due to customers	12 530 644	-	-	12 530 644
Debt securities issued	480 609	-	-	480 609

JSC "REALIST BANK"**Consolidated Financial Statements for the year ended December 31, 2022***(in thousands Russian Rubles)*

Financial liabilities measured at fair value through profit or loss	4 917	-	-	4 917
Current income tax liabilities	41 242	-	-	41 242
Provisions for expected credit losses on credit related commitments	486 441	-	-	486 441
Provisions for expected credit losses on non-credit related commitments	148	-	-	148
Other liabilities	1 226 629	-	-	1 226 629
Subordinated loans	229 905	-	-	229 905
Total liabilities	15 000 535	-	-	15 000 535
Net balance sheet item	3 875 045	163 024	-	4 038 069
Credit related liabilities	18 864 648	-	-	18 864 648

* OECD - Organization for Economic Co-operation and Development.

22.2 Credit risk

The Bank assumes a credit risk, which is the risk that a counterparty will not be able to fully repay the debt within the specified period. The Bank controls the credit risk, both at the level of individual borrowers/groups of related borrowers, and at the level of the Bank's loan portfolio as a whole. The credit risk control at the level of an individual borrower is carried out by setting a risk limit for the borrower, including Banks. Actual observance of limits in relation to the risk level accepted is monitored on a daily basis.

Risk management at the level of the Bank's loan portfolio is carried out by establishing a system of loan portfolio limits setting an acceptable level of risk concentration by industry, type of collateral, internal credit rating, as well as the maximum allowable risk per borrower.

Credit risk management is carried out through regular analysis of ability of existing and potential borrowers to repay interest payments and the principal amount of the debt, as well as through changes in credit limits, if necessary. Credit risk management is also carried out by obtaining collateral and suretyships from companies and individuals.

The Bank determines its willingness to accept the credit risk by approving the credit policy. The Credit Policy sets out the main stages of the credit process, delimits the authority to make credit decisions, determines the loan portfolio concentration limits and the system for compliance with these limits.

Various divisions of the Bank are involved in credit risk management. Identification, analysis, assessment and development of methods for Banking risks management is carried out by a structural division of the Bank - Risk Management Department. This division is independent of the divisions responsible for taking risks. The department that initiates and implements assets acquisition transactions is responsible for implementation of a specific risk event.

The task of the Risk Management Department is to limit the total potential losses of the Bank and to implement procedures to mitigate emerging risks. Credit operations, becoming a priority area of the Bank's activities, are also one of the most risky, therefore, risk assessment on credit operations is the most important part of the analysis of the Bank's financial stability. Decisions on loans are made by the Credit Committee on a case-by-case basis.

To minimize the credit risk in the interbank lending (IBL) market, the counterparty risk and the securities market (SM) risk, an analysis of counterparty banks and issuers of securities is carried out in order to establish appropriate limits.

The Bank uses various methods to mitigate the credit risk of lending operations. At the stage of consideration of an operation, an in-depth analysis of the borrower's ability to service the expected level of debt is carried out. Performance of obligations is secured by receipt of a pledge.

The basic methods of credit risk management in the Bank are:

- assessment of financial condition of borrowers, issuers of securities and counterparty banks, further monitoring of their financial condition;
- provisioning;
- limitation;
- diversification of the Bank's loan and investment portfolio;
- control over loans issued;

– monitoring the status of pledges;
 – delineation of employees powers;
 – setting limit values for statutory requirements in accordance with the current law and the internal regulations of the Bank.

Internal and external ratings used by the Bank to manage credit risk, as well as to meet the requirements of banking supervision, are more focused on expected losses at the time of granting a loan or investment in securities. However, a provision for impairment losses is recognized in the financial statements only for losses that were incurred at the reporting date, based on objective evidence that the impairment occurred in the period after the initial recognition. Due to differences in methodologies applied, the amount of incurred credit losses calculated for the financial statements is usually lower than the amount determined based on the expected loss model.

The internal rating system assists the management in determining whether there is objective evidence of impairment based on the following criteria established by the Bank:

- refusal or delay in payment of interest or principal debt;
- significant financial difficulties of the borrower or issuer;
- violation of the terms of the loan;
- significant deterioration in competitive position of the borrower or issuer;
- significant decline in the fair value of collateral.

The Bank's procedure for determining expected credit losses is detailed in Note 4.

22.3 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in performing its obligations under financial liabilities.

The Bank plans instant and ongoing liquidity on a daily basis in order to minimize the liquidity risk. The Bank on an ongoing basis analyzes the state of the current payment position using scenarios of negative developments related to the state of the market, position of debtors, lenders, and other circumstances affecting liquidity. In case of identifying factors that entail the risk of liquidity loss at a level exceeding the permissible one, the Bank takes measures to reduce the risk magnitude.

In order to manage the term (long-term) liquidity, the Bank conducts a monthly analysis of the risk of liquidity loss, during which indicators of excess (deficit) liquidity are calculated for the period and on an accrual basis, on the basis of which the Bank's need for liquid funds for each group of term liabilities is determined.

The Bank conducts monthly stress testing of liquidity indicators. Stress test results are taken into account in liquidity management.

The Bank of Russia has established standards for instant, current and long-term liquidity (N2, N3 and N4), which Russian banks are required to comply with on a daily basis.

In terms of liquidity management, the Bank controls the expected (or contractual) maturities taking into account discounted cash flows.

The carrying amounts of assets and liabilities by expected maturities as of 31.12.2022 are presented in the table below.

	on demand and less than 1 month	1 to 6 months	6 months to 1 year	more than 1 year	with indefinite term	Total
Assets:						
Cash and cash equivalents	5 637 648	-	-	-	-	5 637 648
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	21 670	21 670
Financial assets measured at fair value through profit or loss	1 350 499	-	-	-	-	1 350 499
Due from other banks	4 324 665	-	-	-	-	4 324 665
Loans and receivables	563 196	684 028	2 480 461	8 534 595	-	12 262 280

JSC "REALIST BANK"

Consolidated Financial Statements for the year ended December 31, 2022

(in thousands Russian Rubles)

Current income tax claims	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-
Fixed assets and intangible assets	-	-	-	-	215 954	215 954
Non-current assets classified as held for sale	-	-	228 906	-	-	228 906
Other assets	187 224	-	-	-	-	187 224
Total assets	11 636 951	684 028	2 709 367	8 534 595	237 624	24 228 846
Liabilities						
Due to banks	-	-	-	-	-	-
Due to customers	13 113 599	1 901 097	1 357 111	75 713	-	16 447 520
Debt securities issued	623 864	-	-	-	-	623 864
Financial liabilities measured at fair value through profit or loss	20 545	-	-	-	-	20 545
Current income tax liabilities	-	64 866	-	-	-	64 866
Provisions for contingent liabilities	-	-	-	-	624 041	624 041
Other liabilities	1 850 754	-	-	-	-	1 850 754
Subordinated loans	-	-	-	-	-	-
Total liabilities	15 608 762	1 965 963	1 357 111	75 713	624 041	19 631 590
Net liquidity gap	(3 971 811)	(1 281 935)	1 352 256	8 458 882	(386 417)	4 597 256
Cumulative liquidity gap	(3 971 811)	(5 253 746)	(3 901 490)	4 557 392	4 170 975	-

The carrying amounts of assets and liabilities by expected maturities as of 31.12.2021 are presented in the table below.

	on demand and less than 1 month	1 to 6 months	6 months to 1 year	more than 1 year	with indefinite term	Total
Assets:						
Cash and cash equivalents	3 281 749	-	-	-	-	3 281 749
Mandatory cash balances with the Central Bank of the Russian Federation	-	-	-	-	97 028	97 028
Financial assets measured at fair value through profit or loss	1 393 721	-	-	-	-	1 393 721
Due from other banks	2 020 320	-	-	-	-	2 020 320
Loans and receivables	422 520	774 628	1 624 900	8 634 170	-	11 456 218
Current income tax claims	-	-	2 259	-	-	2 259
Deferred tax asset	-	-	-	-	-	-
Fixed assets and intangible assets	-	-	-	-	174 875	174 875
Non-current assets classified as held for sale	-	-	130 150	-	-	130 150
Other assets	482 284	-	-	-	-	482 284
Total assets	7 600 594	774 628	1 757 309	8 634 170	271 903	19 038 604
Liabilities						
Due to banks	-	-	-	-	-	-
Due to customers	9 278 632	1 219 500	1 565 901	466 611	-	12 530 644
Debt securities issued	480 609	-	-	-	-	480 609
Financial liabilities measured at fair value through profit or loss	4 917	-	-	-	-	4 917
Current income tax liabilities	-	41 242	-	-	-	41 242
Provisions for expected credit losses on credit related commitments	-	-	-	-	486 441	486 441

JSC "REALIST BANK"**Consolidated Financial Statements for the year ended December 31, 2022***(in thousands Russian Rubles)*

Provisions for expected credit losses on non-credit related commitments	148	-	-	-	-	148
Other liabilities	1 226 629	-	-	-	-	1 226 629
Subordinated loans	-	-	-	229 905	-	229 905
Total liabilities	10 990 935	1 260 742	1 565 901	696 516	486 441	15 000 535
Net liquidity gap	(3 390 341)	(486 114)	191 408	7 937 654	(214 538)	4 038 069
Cumulative liquidity gap	(3 390 341)	(3 876 455)	(3 685 047)	4 252 607	4 038 069	-

Maturities analysis does not reflect the historical stability of current accounts. The balances of these accounts are included in the above table in the amounts of accounts with maturities on demand, but withdrawals from them in practice take place over a longer period.

During the reporting year, the Bank complied with the requirements for mandatory liquidity standards established by the Bank of Russia. Liquidity standards values:

Index	Standard value (%)	Internal limit (%)	Actual value (%)	
			As of 01.01.2023	As of 01.01.2022
Instant liquidity standard (H2)	Min 15	Min 20	72,926	116,957
Current liquidity standard (N3)	Min 50	Min 30	119,814	134,878
Long-term liquidity standard (N4)	Max 120	Max 120	55,989	59,366

22.4 Market risk

The Bank assumes market risk, which is the risk that the future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Market risk arises from net positions in interest rate and foreign currency instruments, which are exposed to general and specific market fluctuations, changes in degree of volatility in market rates and prices.

The Bank manages the market risk by periodically assessing the level of exchange risk and monitoring compliance with the established risk limits. Market risk limits for trading positions are approved based on the analysis carried out by the Risk Management Department. Issuer limits for debt securities are approved separately by the Assets and Liabilities Management Committee.

Calculation of the aggregate amount of the market risk is carried out by a responsible employee of the Risk Management Department, on a daily basis, in order to analyze and control the market risk, as well as to calculate and comply with the Bank's capital adequacy standards.

The market risk management objective is to maintain the risk assumed by the Bank at a level determined in accordance with its own strategic objectives. The priority is to ensure maximum safety of assets and capital based on reduction (elimination) of possible losses and receiving less profits on the Bank's investments in financial instruments, including investments in foreign currency.

The market risk monitoring system is based on the quick response of the Bank's divisions involved in transactions in financial instruments to external and internal changes and fluctuations in financial markets in order to minimize losses in these markets and maximize profitability from transactions with financial instruments while maintaining the established level of risk.

The aggregate exposure to market risks is calculated on a daily basis.

22.5 Interest rate risk

The Bank assumes the risk of exposure to effects of fluctuations of market interest rates on its financial position and cash flows. Such fluctuations may raise the level of interest margins, but in the event of unexpected changes in interest rates, the interest margin may decrease. The Bank manages interest rate risk by providing for possibility of periodic revision of rates in loan agreements with customers, as well as by agreeing assets and liabilities in terms of their maturity. The Risk Management Department monitors the coordination of the terms of return of assets and liabilities.

The interest rate risk is managed for all assets and liabilities of the Bank, as well as for off-balance sheet accounts that are associated with the occurrence of the interest rate risk. To determine the potential value of the interest rate risk, the Bank uses the interest rate gap analysis (GAP analysis) method. To assess possible losses under the influence of stressful situations in the monetary markets, the Bank conducts stress testing of interest rate risk.

During 2021-2022, the Bank did not raise liabilities and did not place assets at floating rates.

22.6 Currency risk

The Bank assumes the risk of exposure to effects of fluctuations of foreign currency rates on its financial position and cash flows. The Bank monitors its net foreign currency position on a daily basis. The Bank adheres to a conservative currency risk management policy, opening foreign currency positions mainly in the most commonly used currencies in the Russian Federation (US dollars and Euros), and in volumes below the limits of the net foreign currency position set by the Central Bank of the Russian Federation.

The limits are determined both for each currency and for a set of positions in all currencies. The limit of the total (aggregate) current net foreign currency position and the limits of the current foreign currency positions in the context of individual currencies are established by the Bank in accordance with the requirements of the Bank of Russia.

The sizes (limits) of the net foreign currency positions are calculated by the responsible employee of the Reporting Department on a daily basis. The responsible employee of the Reporting Department submits the results of calculating the sizes (limits) of the net foreign currency positions to the Risk Management Department on a daily basis for the subsequent calculation of market risk.

The currency risk is controlled by the Risk Management Department.

The table below provides a general analysis of the Bank's currency risk as of 31.12.2022. The Bank does not use the analysis presented below for the purposes of the currency risk management.

	In rubles	In US dollars	In Euro	In other currencies and precious metals	Total
Assets:					
Cash and cash equivalents	611 376	773 622	249 601	4 003 049	5 637 648
Mandatory cash balances with the Central Bank of the Russian Federation	21 670	-	-	-	21 670
Financial assets measured at fair value through profit or loss	1 350 499	-	-	-	1 350 499
Due from other banks	4 315 753	1 546	-	7 366	4 324 665
Loans and receivables	12 186 245	76 035	-	-	12 262 280
Current income tax claims	-	-	-	-	-
Deferred tax asset	-	-	-	-	-
Fixed assets and intangible assets	215 954	-	-	-	215 954
Non-current assets classified as held for sale	228 906	-	-	-	228 906
Other assets	142 220	46	33 629	11 329	187 224
Total assets	19 072 623	851 249	283 230	4 021 744	24 228 846
Liabilities					
Due to banks	-	-	-	-	-
Due to customers	12 656 592	297 957	110 217	3 382 754	16 447 520
Debt securities issued	623 864	-	-	-	623 864
Financial liabilities measured at fair value through profit or loss	20 545	-	-	-	20 545
Current income tax liabilities	64 866	-	-	-	64 866
Provisions for contingent liabilities	624 041	-	-	-	624 041
Other liabilities	1 669 974	481	-	180 299	1 850 754
Subordinated loans	-	-	-	-	-
Total liabilities	15 659 882	298 438	110 217	3 563 053	19 631 590
Net balance	3 412 741	552 811	173 013	458 691	4 597 256
Credit related liabilities	21 292 523	171 694	-	-	21 464 217

JSC "REALIST BANK"**Consolidated Financial Statements for the year ended December 31, 2022***(in thousands Russian Rubles)*

The table below provides a general analysis of the Bank's currency risk as of 31.12.2021. The Bank does not use the analysis presented below for the purposes of the currency risk management.

	In rubles	In US dollars	In Euro	In other currencies and precious metals	Total
Assets:					
Cash and cash equivalents	885 208	1 700 728	292 342	403 471	3 281 749
Mandatory cash balances with the Central Bank of the Russian Federation	97 028	-	-	-	97 028
Financial assets measured at fair value through profit or loss	1 393 721	-	-	-	1 393 721
Due from other banks	2 016 525	1 633	-	2 162	2 020 320
Loans and receivables	11 248 243	207 975	-	-	11 456 218
Current income tax claims	2 259	-	-	-	2 259
Deferred tax asset	-	-	-	-	-
Fixed assets and intangible assets	174 875	-	-	-	174 875
Non-current assets classified as held for sale	130 150	-	-	-	130 150
Other assets	360 027	59 840	33 629	28 788	482 284
Total assets	16 308 036	1 970 176	325 971	434 421	19 038 604
Liabilities					
Due to banks	-	-	-	-	-
Due to customers	9 745 932	1 757 333	329 728	697 651	12 530 644
Debt securities issued	480 609	-	-	-	480 609
Financial liabilities measured at fair value through profit or loss	4 917	-	-	-	4 917
Current income tax liabilities	41 242	-	-	-	41 242
Provisions for expected credit losses on credit related commitments	486 441	-	-	-	486 441
Provisions for expected credit losses on non-credit related commitments	148	-	-	-	148
Other liabilities	1 226 629	-	-	-	1 226 629
Subordinated loans	-	229 905	-	-	229 905
Total liabilities	11 985 918	1 987 238	329 728	697 651	15 000 535
Net balance	4 322 118	(17 062)	(3 757)	(263 230)	4 038 069
Credit related liabilities	18 542 989	309 949	11 710	-	18 864 648

The Bank's assets and liabilities are shown in the table at their carrying values, broken down by major currencies. The foreign exchange risk on off-balance sheet positions is the difference between the contractual amount of foreign currency derivatives and their fair value. Foreign exchange derivatives are generally used to minimize the Bank's exposure to changes in foreign exchange rates.

22.7 Non-financial risks**Legal risk**

The Bank's activities are carried out within the framework of the current law of the Russian Federation, regulations of the Government, the Bank of Russia and other authorities. The Bank complies with all licensing conditions and requirements of legislation and regulations, as well as regulations of the Bank of Russia. The current law is rather complex and ambiguous in interpretation, subject to changes; court practice on certain issues is contradictory, on certain issues it is not sufficiently developed, which

entails the possibility of adopting legal acts that do not correspond to the interests of the Bank's activities. The emergence of the legal risk may be due to both external and internal factors.

The internal factors include:

- inconsistency of the internal documents of the Bank with the law of the Russian Federation, as well as the inability of the Bank to timely bring its activities and internal documents in accordance with the law;
- non-compliance by the Bank with the law of the Russian Federation, including identification and examination of customers, establishment and identification of beneficiaries (persons for whose benefit the customers act), the constituent and internal documents of the Bank;
- violation by the Bank of the terms of contracts;
- ineffective organization of legal work, leading to legal errors in the Bank activities as a result of actions of employees or management bodies of the Bank;
- insufficient study by the Bank of legal issues in development and implementation of new technologies and conditions for conducting banking operations and other transactions, financial innovations and technologies.

The external factors for the legal risk occurrence include:

- imperfection of the legal system (lack of sufficient legal regulation, inconsistency of the law of the Russian Federation, its susceptibility to changes, including in terms of imperfection of methods of state regulation and (or) supervision, incorrect application of foreign law and (or) international law, violation of normative legal acts by clients and contractors of the Bank, as well as the terms of the concluded agreements, which may lead to the occurrence of losses;
- impossibility of resolving certain issues through negotiations and, as a result, the Bank's appeal to the judicial authorities for their settlement.

In order to minimize the legal risk, the Bank has taken the following measures:

- internal rules for visaing and approval of documents legally significant for the Bank have been developed;
- internal audits of compliance with the current law and the requirements of the Articles of Association and internal documents of the Bank (compliance of contractual and internal documents of the Bank with the current law, regulatory documents of regulatory bodies);
- timely measures are taken to prevent the Bank from violating the current law, including by introducing appropriate amendments and additions to the Bank's Articles of Association and its internal documents;
- legal internal and documentary control is carried out;
- delineation of employees powers is carried out;
- local regulations and standard forms of contracts for the most common types of transactions have been developed, they are being promptly brought into compliance with the requirements of the changed law;
- a procedure has been established for considering contracts that are not standard;
- obligatory participation of employees of the Legal Department in the process of launching new Banking products on the market;
- the Bank's structural divisions, in accordance with their competence, exercise control over the observance of contractual discipline, and claim work is carried out.
- monitoring of changes in the law of the Russian Federation is carried out on an ongoing basis, with the main and significant changes being promptly communicated to the employees of the Bank's structural divisions through the internal corporate network;
- access to the maximum number of the Bank's employees to up-to-date information on legislation;
- continuous professional development of the Bank's employees is ensured, for which the necessary resources are allocated.

Operational risk

Operational risk is the risk of direct and indirect losses due to errors or improper operation of internal business processes, personnel, information systems and external events.

For the purposes of risk management, the following groups of operational risks are distinguished:

Business process risks: failures in the work of business processes, lack of end-to-end organization of processes, incorrect allocation of functions, incorrect management of processes and systematic incorrect interaction of counterparties, suppliers and/or internal divisions of the Bank.

Technological risks: shutdown or failures in operation of information systems and Banking infrastructure, incidents in the field of information security.

HR risks: any significant change in the staff or personnel reserves in the Bank's divisions (for example, an increase in staff turnover), dismissal of key personnel, as well as cases of unethical behavior of personnel (for example, fraud, discrimination, unauthorized activity).

Risks of unforeseen situations and external events: the Bank's inability to minimize losses in the event of unforeseen situations and promptly restore operations, as well as the Bank's inability to respond to negative changes in external events and factors without significant losses.

Operational risks are managed and controlled in accordance with the Operational Risk Management Policy, which provides for the following measures:

- Systematic assessment and monitoring of the operational risk level using key indicators of operational risk;

- Collecting data on operational losses;
- Risk audits of the most critical areas of the Bank's work;
- Self-assessment of risks and control of individual departments.

Operational risks may arise in all areas and at all levels of the Bank's operations. Therefore, operational risk management provides the involvement of all personnel of the Bank. The priority area is to attract divisions to participate in the process of operational risk management.

When separating duties, the following parameters are taken into account:

- potential and current operating losses of the Bank from the considered risk;
- volume of transactions affected by the operational risk;
- availability of information on the operational risks.

Risk of loss of commercial goodwill

The risk of loss of commercial goodwill is the risk that the Bank will incur losses as a result of a decrease in the number of customers (counterparties) due to formation in society of a negative perception of the Bank's financial stability, quality of services provided by it or nature of its activities in general. During its existence, the Bank has confirmed its reputation as one of the most stable and reliable banks in Russia due to timely and high-quality performance of its obligations to customers and partners, strict adherence to legislation and business ethics.

In order to avoid formation of a negative perception of financial stability, the Bank pays special attention to organization of a complete and reliable system of public disclosure of information in the media and on the Bank's website on the Internet.

The Bank actively supports the image of a transparent and informational open company. The Bank's statements and events reflecting material facts of economic activity are published by the Bank on a mandatory basis. The corporate website is one of the main tools for informing a wide range of clients, counterparties and business partners.

The Bank on an ongoing basis carries out:

- control over observance by employees, affiliates, subsidiaries and dependent organizations and ultimate owners of the law of the Russian Federation, including the law on banking secrecy and organization of internal control in order to counteract the legalization (laundering) of proceeds from crime and the financing of terrorism;

- monitoring business reputation of clients and counterparties, observing the "know your client" principle;

- customer surveys for the purpose of analyzing customer preferences and identifying shortcomings in the Bank's work and making new proposals from customers;

- control over reliability of financial statements and other published information provided to shareholders, customers and counterparties, regulatory and supervisory authorities and other interested parties.

The Bank has a developed corporate governance system, the main principles of which are specified in the Corporate Governance Code, namely:

- Principle of guaranteeing rights and interests of shareholders;
- Principle of good governance;
- Principle of distribution of powers between management bodies and effective control;
- Principle of effective control over financial and economic activities;
- Principle of transparency of the ownership structure and information openness;
- Principle of compliance with the rule of law and ethical standards;
- Principle of effective interaction with employees and fair remuneration;
- Principle of social responsibility and development of partnerships with stakeholders.

Strategic risk

Strategic risk is understood as the risk of incurring losses as a result of errors (shortcomings) made when making decisions that determine the strategy of the Bank's activities and development, as well as decisions related to this strategy implementation.

The Bank's strategy is the conceptual basis of its activities, which determines the priority areas of business development, its goals and objectives, as well as methods of achieving them. The Bank's development strategy is based on the results of SWOT analysis, which makes it possible to identify and structure the Bank strengths and weaknesses, as well as the potential for its development and threats that can neutralize these opportunities. In order to implement the Strategy, the Bank develops plans for the Strategy implementation; the Strategy is detailed in the Bank's business planning and budgeting system. The Bank Strategy serves as a guideline for making key decisions regarding market operations, product offerings, organizational structure, profitability and business profile of the Bank's managers at all levels of its activities.

The choice of alternative options for the Bank's development is based on an understanding of the external environment, the Bank's potential and requirements of the shareholders to ensure performance indicators. The choice of the most preferable option is carried out on the basis of a multi-criteria analysis, including both indicators that determine the growth of the Bank potential market capitalization, and indicators characterizing the risks associated with development.

Reducing strategic risk is carried out by using the principle of collegial decision making in formation of the strategy. The strategy, as well as the subsequent results of its implementation, are reviewed and approved by the Board of Directors of the Bank. The current control, analysis, monitoring of strategic risk management is carried out by the authorized management bodies of the Bank.

23. Commitments and contingent liabilities

Litigations

From time to time, in the course of its day-to-day activities, the Bank becomes the subject of actions at law and legal claims. The Bank's management believes that the proceedings on them will not have a material adverse effect on the financial position or results of the Bank's operations in the future.

Tax law

Due to the presence in Russian law in the field of economic activity and, in particular, in tax law, norms that are open to ambiguous interpretation, as well as taking into account the established practice of arbitrary assessment by tax authorities of the facts of economic activity, management's assessment of the facts of the Bank's economic activities may be out of phase with the interpretation of these facts by tax authorities. If any transaction is contested by the tax authorities, the Bank may be charged additional taxes, as well as significant fines and penalties. The period during which the tax authorities can carry out an audit is three years.

Credit related liabilities

The table below shows the total off-balance sheet credit related liabilities.

	2022	2021
<i>Financial and non-financial guarantees provided</i>	19 730 134	17 639 711
<i>Liabilities to provide loans</i>	1 734 083	1 224 937

Total credit related liabilities	21 464 217	18 864 648
---	-------------------	-------------------

24. Fair value of financial instruments

Fair value is the amount at which an asset may be exchanged or a liability settled in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced sale or liquidation of an entity. The best basis for determining the fair value of a financial instrument are published quoted prices in an active market.

Information about assets and liabilities by fair value hierarchy is presented below:

<i>December 31, 2022</i>	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	5 637 648	-	-	5 637 648
Mandatory cash balances with the Central Bank of the Russian Federation	21 670	-	-	21 670
Financial assets measured at fair value through profit or loss	1 350 499	-	-	1 350 499
Due from other banks	4 324 665	-	-	4 324 665
Loans and receivables	-	-	12 262 280	12 262 280
Current income tax claims	-	-	-	-
Fixed assets, intangible assets and right-of-use assets	-	-	228 906	228 906
Non-current assets classified as held for sale	-	-	215 954	215 954
Other assets	-	-	187 224	187 224
Total assets	11 334 482	-	12 894 364	24 228 846
Liabilities				
Due to banks	-	-	-	-
Due to customers	8 520 269	-	7 927 251	16 447 520
Debt securities issued	-	-	623 864	623 864
Financial liabilities measured at fair value through profit or loss	-	-	20 545	20 545
Current income tax liabilities	-	-	64 866	64 866
Provisions for expected credit losses on credit related commitments	-	-	624 037	624 037
Provisions for expected credit losses on non-credit related commitments	-	-	4	4
Other liabilities	-	-	1 850 754	1 850 754
Other borrowed funds	-	-	-	-
Total liabilities	8 520 269	-	11 111 321	19 631 590

<i>December 31, 2021</i>	Level 1	Level 2	Level 3	Total
Assets				
Cash and cash equivalents	3 281 749	-	-	3 281 749
Mandatory cash balances with the Central Bank of the Russian Federation	97 028	-	-	97 028

JSC "REALIST BANK"**Consolidated Financial Statements for the year ended December 31, 2022***(in thousands Russian Rubles)*

Financial assets measured at fair value through profit or loss	1 393 721	-	-	1 393 721
Due from other banks	-	-	2 020 320	2 020 320
Loans and receivables	-	-	11 456 218	11 456 218
Current income tax claims	-	-	2 259	2 259
Fixed assets, intangible assets and right-of-use assets	-	-	174 875	174 875
Non-current assets classified as held for sale	-	-	130 150	130 150
Other assets	-	-	482 284	482 284
Total assets	4 772 498	-	14 266 106	19 038 604
Liabilities				
Due to banks	-	-	-	-
Due to customers	5 080 951	-	7 449 693	12 530 644
Debt securities issued	-	-	480 609	480 609
Financial liabilities measured at fair value through profit or loss	-	-	4 917	4 917
Current income tax liabilities	-	-	41 242	41 242
Provisions for expected credit losses on credit related commitments	-	-	486 441	486 441
Provisions for expected credit losses on non-credit related commitments	-	-	148	148
Other liabilities	-	-	1 226 629	1 226 629
Other borrowed funds	-	-	229 905	229 905
Total liabilities	5 080 951	-	9 919 584	15 000 535

Level 1 refers to quoted (unadjusted) prices in active markets for identical assets or liabilities that an entity can access at the measurement date.

Level 2 refers to inputs that are not quoted prices included in Level 1 and that are directly or indirectly observable for the asset or liability.

Level 3 refers to unobservable inputs for an asset or liability. This level also includes assets carried at amortized cost.

During 2020-2021 the Bank did not transfer instruments carried at fair value between levels of the fair value measurement hierarchy.

25. Transactions with related parties

For the purposes of these financial statements, parties are considered related if one party has the ability to control the other party, is under common control with it, or may exercise significant influence over the other party in making financial and operational decisions. When considering relationships with all related parties, the economic substance of the relationship is taken into account, not just its legal form.

In the normal course of business, the Bank enters into transactions with its related parties, these transactions being carried out primarily by the Bank on an arm's length basis.

In 2022, the following transactions with related parties took place:

JSC "REALIST BANK"

Consolidated Financial Statements for the year ended December 31, 2022

(in thousands Russian Rubles)

Index	Amount (thous. rub.)	Share in the corresponding item of assets/liabilities/P &L statement (%)	Amount (thous. rub.)	Share in the corresponding item of assets/liabilities/P &L statement (%)
Person controlling the Bank * / beneficiaries				
Operations and transactions	01.01.2023		01.01.2022	
Loan debt, including:	2	0,00	7 350	0,05
Overdue debt	0	0,00	0	0,00
Due to customers	617 184	3,75	1 633 207	12,80
Other assets	22	0,01	0	0,00
Bank guarantees issued	51 000	2,40	0	0,00
Income and expenses	2022		2021	
Interest income	608	0,02	262	0,01
Interest expenses	41 916	4,68	38 952	8,03
Fee and commission income and other operating income	690	0,07	2 907	0,43
Fee and commission expenses and operating expenses	0	0,00	0	0,00
Net income from operations with foreign currencies	89 235	122,26	0	0,00
*Person, who has a significant control over the Bank owns 100% of the authorized capital of the Bank, so the information about transactions with this person in 2020 and 2021 are included in the table «Person controlling the Bank»				
Key management personnel				
Operations and transactions	01.01.2023		01.01.2022	
Loan debt, including:	0	0,00	0	0,00
Overdue debt	0	0,00	0	0,00
Due to customers	5 285	0,03	3 228	0,03
Income and expenses	2022		2021	
Interest income	64	0,00	35	0,00
Interest expenses	623	0,07	20	0,00
Fee and commission income and other income	11	0,00	0	0,00
Fee and commission expense and other expenses	1 041	0,07	0	0,00
Net income from operations with foreign currency and precious metals	166	0,22	0	0,00
Other related parties (related with management or the person, who has a significant control over the Bank)				
Operations and transactions	01.01.2023		01.01.2022	
Loan debt, including:	6 888	0,06	160 619	1,19
Overdue debt	0	0,00	0	0,00
Due to customers	33 933	0,21	51 179	0,40
Bank guarantees issued	1 000	0,05	0	0,00

Index	Amount (thous. rub.)	Share in the corresponding item of assets/liabilities/P &L statement (%)	Amount (thous. rub.)	Share in the corresponding item of assets/liabilities/P &L statement (%)
Income and expenses	2022		2021	
Interest income	24 976	0,92	28 963	1,39
Interest expenses	43 399	4,84	10 048	2,07
Fee and commission income and other operating income	13 669	1,43	13 669	2,04
Fee and commission expenses and operating expenses	19 144	1,12	20	0,01
Net income from operations with foreign exchange and precious metals	1 010	1,38	0	0,00
Net income from transactions with financial assets measured at fair value through profit or loss	0	0,00	0	0,00

According to the Bank policy, transactions with related parties are carried out on the same terms as transactions with independent parties and do not have a significant impact on the financial stability of the Bank.

26. Capital Management

The Bank maintains the necessary capital base to cover the risks inherent in its activities, and for business development. The objective of capital adequacy management is to ensure the bank's ability to meet strategic asset growth targets while unconditionally meeting capital adequacy requirements in the course of business as usual and under stress. External capital requirements for banks are established by the Basel Committee on Banking Supervision and the Bank of Russia.

The Bank's capital management policy is aimed at ensuring the required and sufficient level of capital to cover the accepted and potential risks. For this purpose, internal procedures for assessing capital adequacy have been developed, including capital planning based on the established development strategy of the bank, benchmarks for business growth and the results of a comprehensive current risk assessment, stress testing of the bank's stability in relation to internal and external risk factors. The main purpose of the assessment procedures is to ensure the capital adequacy to cover the assumed risks on an ongoing basis.

Internal procedures in the area of capital management include:

- control on the part of the Board of Directors, the Management Board over the capital adequacy of the Bank, effectiveness of the applied risk and capital management procedures, compliance of these procedures with the Bank's development strategy, nature and scale of activities, as well as sequence of their application in the Bank;

- methods and procedures for identifying significant types of risks;
- methods and procedures for assessing significant risks;
- methods and procedures for planning, determining capital requirements, assessing the adequacy and distribution of capital by types of risks and areas of activity;
- system of monitoring and internal reporting on significant risks for the Bank, which allows assessing the impact of changes in the nature and size of risks on the capital adequacy amount;
- internal control system.

The capital management methods and procedures are determined by the Bank based on the principle of proportionality. The planned (target) level of capital is fixed in the Bank's Development Strategy. The current capital requirement is determined by the Bank on the basis of an aggregated assessment of unexpected losses from realization of all types of risks significant for the Bank. For these purposes, the

Bank identifies risks in relation to which the need for capital is determined: risks subject to quantitative assessment (credit, market, operational, interest rate risk) and non-financial risks. When determining the total amount of required capital, the Bank uses the standard methodology of the Bank of Russia - the Bank of Russia Instruction No. 199-I for assessing the adequacy of own funds (capital).

The main sources of capital are the authorized capital, retained earnings from previous years and funds from subordinated deposits.

The Bank of Russia regulations establish three levels of capital: basic, main and general - and the corresponding capital adequacy standards: N1.1 (the minimum permissible numerical value of the standard is set at 4.5%), N1.2 (the minimum permissible numerical value of the standard is set at 6.0%), N1.0 (the minimum permissible numerical value of the standard is set at 8.0%).

During 2021-2022, the Bank did not violate the capital requirements established by the regulatory documents of the Bank of Russia.

27. Estimates and judgments used in applying the accounting policies

In the process of applying the accounting policies, the Bank's management uses professional judgment and estimates. Professional judgments 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 amount of assets and liabilities within the next financial year include:

Impairment of loans and receivables. The Bank analyzes its loan portfolio for expected credit losses on a regular basis. In determining whether to recognize an expected credit loss in the profit and loss statement, the Bank uses professional judgment on presence of observable evidence of a measurable decrease in the estimated future cash flows of the loan portfolio before a decrease may be detected in an individual loan in this portfolio. Such evidence may include observable data on an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The management uses estimates based on historical loss data for assets with credit risk characteristics and objective evidences of impairment similar to those in the portfolio used to forecast future cash flows. For new types of loans, for which the Bank does not have accumulated loss statistics, information available on the market on losses on similar loans is used. The methodologies and assumptions used to estimate the amounts and timing of future cash flows are reviewed regularly to reduce any discrepancies between estimated and actual losses.

Income tax Russian tax law is subject to varying interpretations. See Note 22.

28. Events after the reporting date

All adjusting events after the reporting date were accounted in this financial report.
There were no significant non-adjusting events after the reporting date.

Approved for issue by the Bank's Management Board and signed on behalf of the Bank's Management Board on April 25, 2023.

Chairman of the Management Board Chief Accountant
Elmanin V.S.

Gorbyleva E.A.