Translation from the original in Russian

“Priorbank” JSC

Consolidated financial statements

Year ended 31 December 2022
together with the audit report of an independent audit firm

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Translation from the original in Russian

Audit report of an independent audit firm on the consolidated financial statements of "Priorbank" JSC for the period from 1 January 2022 through 31 December 2022

To Mr. V.B. Matyushkin,
Chairman of the Management Board of "Priorbank" JSC

To the shareholders, Supervisory Board, Audit Committee and Management Board of "Priorbank" JSC

Opinion

We have audited the consolidated financial statements of "Priorbank" Joint-Stock Company (hereinafter, "Priorbank" JSC") (legal address: 220002, Republic of Belarus, Minsk, V. Khoruzhey str., 31-A, date of state registration: 12 July 1991, registration number in the State Register of Legal Entities and Individual Entrepreneurs: 100220190) and its subsidiaries (hereinafter, the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter, the "consolidated financial statements").

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

Basis for opinion

We conducted our audit in accordance with the Law of the Republic of Belarus *On Auditing Activity*, national auditing rules effective in the Republic of Belarus and with International Standards on Auditing (ISA). Our responsibilities under those rules and standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including international independence standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Republic of Belarus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the matter
Allowance for expected credit losses on loans to customers in accordance with IFRS 9 Financial Instruments	
The estimation of the allowance for expected credit losses on loans to customers is a key area of judgment for the Group's management. The identification of factors of a significant increase in credit risk, including the identification of any changes in the risk of default occurring over the remaining life of a financial instrument, as well as the estimation of probability of default, loss given default and forward-looking information involve significant use of professional judgment and assumptions. The use of various models and assumptions in the calculation of expected credit losses can significantly affect the level of the allowance for expected credit losses on loans to customers. Due to substantial amounts of loans to customers and an extensive use of professional judgment, the estimation of the allowance for expected credit losses is a key audit matter. Information on the allowance for expected credit losses on loans to customers and the Group's management approach to assessing and managing credit risk are described in Notes 3, 9 and 28 to the consolidated financial statements.	Our audit procedures included the analysis of the methodology for estimating the allowance for expected credit losses on loans to individuals and legal entities, testing of controls over the customer lending process, estimates of allowances for expected credit losses, as well as procedures to identify factors of a significant increase in credit risk and indicators of loan impairment. In respect of the assessment of the allowance for expected credit losses on loans to individuals and legal entities, we analyzed assumptions, tested input data used by the Bank, and analyzed the models for assessing probability of default, loss given default and forward-looking information. We reviewed the classification of loans by credit quality stage and recalculated the allowance for expected credit losses. Our audit procedures also included the recalculation of the allowance for individually significant loans to legal entities and loans with higher credit risk exposure. We analyzed the financial position of customers, their credit ratings, overdue and renegotiated exposures, and sufficiency of collateral. We analyzed consistency of management's assumptions applied in calculating the allowance for expected credit losses, including forecasting macroeconomic indicators. We analyzed the information on the allowance for expected credit losses on loans, disclosed in the notes to the consolidated financial statements.

Other matters

The audit of the Group's consolidated financial statements for the year ended 31 December 2021 was performed by another audit firm that expressed an unmodified opinion in respect of those financial statements on 14 May 2022.

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Responsibility of management and the Supervisory Board of "Priorbank" JSC for the consolidated financial statements

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

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

The Supervisory Board of "Priorbank" JSC is responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit 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 the Law of the Republic of Belarus *On Auditing Activity*, national auditing rules effective in the Republic of Belarus and ISA, 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 consolidated financial statements.

As part of an audit in accordance with the Law of the Republic of Belarus *On Auditing Activity*, national auditing rules effective in the Republic of Belarus and ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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.
- 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the 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 audit report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities of the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

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We communicate with the Supervisory Board and the Audit Committee of "Priorbank" JSC 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 provide the Supervisory Board and the Audit Committee of "Priorbank" JSC with a statement that we have complied with all relevant ethical requirements regarding independence and communicated to them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Engagement Partner

P.A. Laschenko
General Director, FCCA

Auditor's qualification certificate No. 0000738 of 14 May 2003 issued by the Ministry of Finance of the Republic of Belarus for an indefinite period of time.

Certificate of compliance with the qualification and business reputation requirements for auditors of banks, JSC "Development Bank of the Republic of Belarus", non-bank credit and financial institutions, banking groups and banking holdings No. 142 of 13 October 2022, issued for five years.

Audit Team Executive

O.M. Yarmakovich
Head of the Audit Department, FCCA

Auditor's qualification certificate No. 0002233 of 10 October 2014 issued by the Ministry of Finance of the Republic of Belarus for an indefinite period of time.

Certificate of compliance with the qualification and business reputation requirements for auditors of banks, JSC "Development Bank of the Republic of Belarus", non-bank credit and financial institutions, banking groups and banking holdings No. 145 of 10 November 2022, issued for five years.

27 April 2023

Details of the audit firm

Name: B1 Audit Services Limited Liability Company
Certificate of State Registration No. 190616051 issued by the State Register of Legal Entities and Individual Entrepreneurs on 7 April 2005.
Member of the Audit Chamber since 26 December 2019.
Registration No. 10051 in the register of auditors, entered on 1 January 2020.
Address: 220004, Republic of Belarus, Minsk, Klary Tsetkin str., 51A, 15th floor.

Consolidated statement of financial position

As at 31 December 2022

(thousands of Belarusian rubles)

	Notes	*2022*	*2021*
Assets			
Cash and cash equivalents	6	3,876,824	2,119,935
Trading securities	7	12,972	48,672
Amounts due from credit institutions	8	196,472	155,160
Loans to customers	9	2,145,386	3,066,195
Investment securities	10	1,476,338	561,851
Investment property	11	15,028	14,932
Property and equipment and right-of-use assets	12	136,433	150,667
Intangible assets	13	50,186	46,811
Current income tax assets		4,452	1,202
Deferred income tax assets	14	3,903	3,184
Other assets	16	52,867	59,988
Total assets		**7,970,861**	**6,228,597**
Liabilities			
Amounts due to credit institutions	17	299,324	239,534
Amounts due to customers	18	5,760,530	4,172,584
Amounts due to international financial institutions	19	63,439	306,492
Debt securities issued	20	1,310	3,703
Current income tax liabilities		12,840	5,371
Deferred income tax liabilities	14	36,868	42,512
Provisions	15, 22	4,815	14,721
Other liabilities	16	251,466	249,458
Total liabilities		**6,430,592**	**5,034,375**
Equity	21		
Share capital		341,828	341,828
Additional paid-in capital		193	193
Foreign currency translation reserve		4,230	5,503
Retained earnings		1,178,433	817,426
Revaluation reserve for the net pension liability		(9,020)	526
Revaluation reserve for investment securities		(2,966)	(104)
Total equity attributable to shareholders of the Bank		**1,512,698**	**1,165,372**
Non-controlling interest		27,571	28,850
Total equity		**1,540,269**	**1,194,222**
Total equity and liabilities		**7,970,861**	**6,228,597**

Signed and authorized for release on behalf of the Management Board of the Bank

V.B. Matyushkin — Chairman of the Management Board

A.V. Shloydo — Head of IFRS Accounting Division

27 April 2023

The accompanying notes on pages 6-81 are an integral part of these consolidated financial statements.

Consolidated statement of profit or loss

For the year ended 31 December 2022

(thousands of Belarusian rubles)

	Notes	2022	2021
Interest income calculated using the effective interest rate		374,334	325,828
Other interest income		32,762	36,024
Interest expense		(67,883)	(103,054)
Net interest income	23	**339,213**	**258,798**
Credit loss expense	15	(9,500)	(24,672)
Net interest income after credit loss expense		**329,713**	**234,126**
Fee and commission income		330,113	246,853
Fee and commission expense		(177,011)	(135,728)
Net fee and commission income	24	**153,102**	**111,125**
Net gains/(losses) from trading securities		(850)	169
Net losses from derecognition of financial assets at amortized cost	10	(24,824)	–
Net losses from derecognition of financial assets at fair value through other comprehensive income	10	(6,742)	–
Net gains/(losses) from foreign currencies:			
- Dealing		139,111	105,264
- Translation differences		121,331	(9,758)
Other income	25	81,025	86,112
Non-interest income		**309,051**	**181,787**
Personnel expenses	26	(117,614)	(105,570)
Depreciation, amortization and impairment	11, 12, 13	(37,949)	(36,500)
Other operating expenses	26	(143,515)	(146,051)
Other income/(expenses) from provisions	15	(2,737)	4,962
Non-interest expense		**(301,815)**	**(283,159)**
Profit before income tax expense		**490,051**	**243,879**
Income tax expense	14	(127,533)	(59,556)
Profit for the year		**362,518**	**184,323**
Attributable to:			
- Shareholders of the Bank		361,007	179,892
- Non-controlling interest		1,511	4,431
		362,518	**184,323**

Consolidated statement of comprehensive income

For the year ended 31 December 2022

(thousands of Belarusian rubles)

	Notes	*2022*	*2021*
Profit for the year		**362,518**	**184,323**
Other comprehensive income			
Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of the financial statements of a foreign subsidiary	21	(2,020)	(2,207)
Net change in the fair value of debt instruments at fair value through other comprehensive income	21	(3,937)	(290)
Income tax related to components of other comprehensive income	14	984	73
Net other comprehensive expense to be reclassified to profit or loss in subsequent periods		**(4,973)**	**(2,424)**
Other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods			
Actuarial gain on defined pension plan	21	(12,728)	10,762
Gains/(losses) from equity instruments measured at fair value through other comprehensive income	21	121	(40)
Income tax related to components of other comprehensive income	14	3,152	(2,681)
Net other comprehensive income/(loss) not to be reclassified to profit or loss in subsequent periods		**(9,455)**	**8,041**
Other comprehensive income/(loss) for the year, net of tax		**(14,428)**	**5,617**
Total comprehensive income for the year		**348,090**	**189,940**
Attributable to:			
- Shareholders of the Bank		347,326	186,326
- Non-controlling interest		764	3,614
		348,090	**189,940**

Consolidated statement of changes in equity

For the year ended 31 December 2022

(thousands of Belarusian rubles)

	Attributable to shareholders of the Bank								
	Share capital	***Additional paid-in capital***	***Foreign currency translation reserve***	***Retained earnings***	***Revaluation reserve for the net pension liability***	***Revaluation reserve for investment securities***	***Total***	***Non-controlling interest***	***Total equity***
At 1 January 2021	**341,828**	**193**	**6,893**	**686,654**	**(7,545)**	**143**	**1,028,166**	**26,382**	**1,054,548**
Profit for the year	–	–	–	179,892	–	–	**179,892**	4,431	**184,323**
Other comprehensive income for the year	–	–	(1,390)	–	8,071	(247)	**6,434**	(817)	**5,617**
Total comprehensive income for the year	**–**	**–**	**(1,390)**	**179,892**	**8,071**	**(247)**	**186,326**	**3,614**	**189,940**
Dividends declared and paid (Note 21)	–	–	–	(49,230)	–	–	**(49,230)**	–	**(49,230)**
Sale and liquidation of subsidiaries	–	–	–	110	–	–	**110**	(1,146)	**(1,036)**
At 31 December 2021	**341,828**	**193**	**5,503**	**817,426**	**526**	**(104)**	**1,165,372**	**28,850**	**1,194,222**
Profit for the year	–	–	–	361,007	–	–	**361,007**	1,511	**362,518**
Other comprehensive income for the year	–	–	(1,273)	–	(9,546)	(2,862)	**(13,681)**	(747)	**(14,428)**
Total comprehensive income for the year	**–**	**–**	**(1,273)**	**361,007**	**(9,546)**	**(2,862)**	**347,326**	**764**	**348,090**
Dividends declared and paid (Note 21)	–	–	–	–	–	–	**–**	(2,043)	**(2,043)**
At 31 December 2022	**341,828**	**193**	**4,230**	**1,178,433**	**(9,020)**	**(2,966)**	**1,512,698**	**27,571**	**1,540,269**

Consolidated statement of cash flows

For the year ended 31 December 2022

(thousands of Belarusian rubles)

	Notes	*2022*	*2021*
Cash flows from operating activities			
Interest received		398,209	357,854
Interest paid		(70,705)	(103,490)
Fees and commissions received		330,239	246,824
Fees and commissions paid		(175,811)	(135,787)
Gains less losses from foreign currencies		128,241	90,794
Other income received		18,810	19,061
Personnel expenses paid		(115,209)	(98,334)
Other operating expenses paid		(78,723)	(70,207)
Cash flows from operating activities before changes in operating assets and liabilities		**435,051**	**306,715**
Net (increase)/decrease in operating assets			
Trading securities		38,880	(718)
Amounts due from credit institutions		(39,645)	(33,788)
Loans to customers		992,037	332,931
Other assets		918	(14,144)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		87,503	27,088
Amounts due to customers		1,382,886	172,924
Other liabilities		(14,694)	25,776
Net cash from operating activities before income tax		**2,882,936**	**816,784**
Income tax paid		(125,541)	(64,868)
Net cash from operating activities		**2,757,395**	**751,916**
Cash flows from investing activities			
Purchase of investment securities at amortized cost		(2,643,254)	(5,361)
Proceeds from redemption of investment securities at amortized cost		1,937,407	14,919
Purchase of securities at FVOCI		(677,031)	(75,702)
Proceeds from sale of securities at FVOCI		380,793	–
Proceeds from sale of property and equipment, intangible assets and investment property		6,152	6,114
Purchase of property and equipment, intangible assets and investment property	11, 12, 13	(37,813)	(42,523)
Proceeds from sale of subsidiaries		–	3,005
Net cash used in investing activities		**(1,033,746)**	**(99,548)**
Cash flows from financing activities			
Amounts due to international financial institutions		(239,862)	99,295
Redemption of debt securities issued		(2,393)	(52,562)
Payments to repay lease liabilities		(1,722)	(2,633)
Dividends paid	21	(2,043)	(48,845)
Net cash used in financing activities	32	**(246,020)**	**(4,745)**
Effect of exchange rate changes on cash and cash equivalents		279,239	(11,487)
Effect of expected credit losses on time deposits		(20)	(41)
Cash and cash equivalents reclassified to assets held for sale		–	83
Net increase in cash and cash equivalents		**1,756,889**	**636,179**
Cash and cash equivalents, beginning		2,119,935	1,483,756
Cash and cash equivalents, ending	6	**3,876,824**	**2,119,935**

(thousands of Belarusian rubles)

1. Principal activities

“Priorbank” Joint-Stock Company (hereinafter, “Priorbank” or the “Bank”) was founded in 1989 as a public joint-stock company under the laws of the Republic of Belarus. The Bank operates under a banking license issued by the National Bank of the Republic of Belarus (hereinafter, the “NBRB”) in July 2019. On 24 February 2023, the Bank obtained a new banking license. The Bank also possesses licenses for securities operations and trust activities from the State Committee for Securities under the Ministry of Finance of the Republic of Belarus, which were granted in April 1997 and extended in April 2011.

The Bank accepts deposits from the public and legal entities, extends credit, transfers payments in Belarus and abroad, maintains foreign exchange operations and provides banking services to legal entities and individuals. Its head office is located in Minsk, and it has 52 operating outlets in the Republic of Belarus.

These consolidated financial statements comprise the financial statements of the Bank and its subsidiaries (jointly referred to as the “Group”). The list of consolidated subsidiaries is disclosed in Note 2. The Bank’s legal address is 220002, Republic of Belarus, Minsk, V. Khoruzhey str., 31-A.

As at 31 December 2022 and 2021, Priorbank had the following shareholding structure:

Shareholders	***2022 %***	***2021 %***
Raiffeisen CIS Region Holding GmbH	87.74	87.74
State Property Committee of the Republic of Belarus	6.31	6.31
Individuals	4.83	4.83
Other	1.12	1.12
Total	**100.00**	**100.00**

Raiffeisen Bank International AG is the ultimate parent company of the Group, owning 100% of shares of Raiffeisen CIS Region Holding GmbH through Raiffeisen RS Beteiligungs GmbH. Raiffeisen Bank International AG is a public entity.

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the summary of accounting policies. For example, trading securities, securities recorded at fair value through other comprehensive income and derivative financial instruments were measured at fair value.

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

(thousands of Belarusian rubles)

2. Basis of preparation (continued)

Subsidiaries

The consolidated financial statements include the following subsidiaries:

Subsidiary	*Effective ownership, %* *2022*	*2021*	*Country*	*Date of incorporation*	*Industry*	*Date of acquisition*
Unitary Enterprise "PriortransAgro"	100	100	Belarus	June 1991	Agriculture	June 1991
Unitary Enterprise "Dom Office 2000"	100	100	Belarus	February 2001	Construction	February 2001
"Priorlife" JLLC	100	100	Belarus	April 2001	Insurance	April 2001
"Raiffeisen Leasing" JLLC	70	70	Belarus	July 2005	Leasing	June 2006
Raiffeisen-Leasing Litauen UAB	63	63	Lithuania	December 2019	Leasing	September 2020
"Estate Management" LLC	100	100	Belarus	May 2018	Real estate management	May 2018
"Extrusion Technologies" LLC	–	–	Belarus	November 2017	Manufacturing	November 2017
"Insurance broker "Studiya Strakhovaniya" LLC	–	–	Belarus	September 2014	Insurance	September 2014

In February 2021, a transaction was completed for the sale of a subsidiary, "Extrusion Technologies" LLC, which was reported as a disposal group held for sale as at 31 December 2020.

Following the decision to terminate the activity of "Insurance broker "Studiya Strakhovaniya" LLC, in June 2021 the company was reorganized to "Studiya Otsenki" ALC and on 19 October 2021 was liquidated.

Economic environment

Effect of the geopolitical situation

Since February 2022, increased geopolitical tensions and Russia's special military operation in Ukraine have had a negative impact on the Belarusian economy. The Republic of Belarus has been affected by negative external factors resulting from the growing sanctions pressure. The European Union, the United States and some other countries have imposed new sanctions against certain economy sectors and some Belarusian state and commercial organizations, including banks and individuals, as well as restrictions on certain types of transactions, including blocking of cash balances on accounts with foreign banks and blocking of payments on Eurobonds issued by the Republic of Belarus. Some international companies announced that they were suspending their operations in Belarus or terminating supplies of products to Belarus.

The Bank continues to assess the effect of the geopolitical situation on its business, financial position and financial performance.

3. Summary of accounting policies

Changes in accounting policies

The Group applied for the first time certain amendments to the standards which are effective for annual periods beginning on or after 1 January 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not effective.

Amendments to the following standards became effective as at 1 January 2022: IFRS 1, IFRS 9, IFRS 3, IAS 16, IAS 37, IAS 41.

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations − Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements* issued in 1989 with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*. A contingent asset should not be recognized at the acquisition date.

These amendments had no material impact on the Group's consolidated financial statements.

Amendment to IFRS 9 Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which an entity first applies the amendment.

The amendment had no material impact on the Group's consolidated financial statements.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards − Subsidiary as a First-time Adopter

As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued an amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards*. The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

The amendment had no material impact on the Group's consolidated financial statements.

Amendments to IAS 37 − Onerous Contracts − Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no material impact on the Group's consolidated financial statements.

(thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no material impact on the Group's consolidated financial statements.

Basis of consolidation

Subsidiaries, which are those entities which are controlled by the Group, are consolidated. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated in full; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses of a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss.

(thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Fair value measurement

The Group measures financial instruments recorded at fair value through profit or loss (FVPL) and at fair value through other comprehensive income (FVOCI) at fair value at each reporting date.

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

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

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in the best and most effective way or by selling it to another market participant that would use the asset in the best and most effective way.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

Financial assets and liabilities

Initial recognition

Date of recognition

All regular way purchases and sales of financial assets and liabilities are recognized on the trade date, i.e., the date that the Group commits to purchase the asset or the liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities under a contract that requires delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model used to manage the instruments. Financial instruments are initially measured at fair value, including transaction costs, except when financial assets and financial liabilities are measured at FVPL.

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Measurement categories of financial assets and liabilities

The Group classifies all of its financial assets based on the business model used to manage the assets and the asset's contractual terms, measured at either:

- Amortized cost;
- FVOCI;
- FVPL.

The Group classifies and measures its derivative and trading instruments at FVPL. The Group may designate financial instruments as at FVPL, if so doing eliminates or significantly reduces measurement or recognition inconsistencies.

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVPL when they are held for trading, are derivative instruments or the fair value designation is applied.

Amounts due from credit institutions, loans to customers, investment securities measured at amortized cost

The Group measures amounts due from credit institutions, loans to customers, and other financial investments at amortized cost, only when the following two conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows;
- The contractual terms of the financial asset provide for the receipt on specified dates of cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The details of these conditions are outlined below.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Group's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing of sales are also important aspects of the Group's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If after the initial recognition the cash flows are realized in a way different from the Group's expectations, the Group does not change the classification of the remaining financial assets held within this business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

“Solely payments of principal and interest on the principal amount outstanding” test (SPPI test)

As a second step of its classification process, the Group assesses the contractual terms of a financial asset to identify whether they meet the SPPI test.

“Principal” for the purpose of this test is defined as the fair value of a financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

Debt instruments at FVOCI

The Group measures debt instruments at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets;
- The contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains or losses arising due to changes in the fair value recognized in OCI. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. On derecognition, cumulative gains or losses, previously recognized in OCI, are reclassified from OCI to profit or loss.

Expected credit losses (ECL) on debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which continue to be measured at fair value. Instead, an amount equal to the allowance for expected losses that would be accrued if the assets were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to profit or loss upon derecognition of the asset.

Equity instruments at FVOCI

Upon initial recognition, the Group occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Gains and losses on these equity instruments are never recycled to profit or loss. Dividends are recognized in profit or loss as other income when the right to the dividends has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal of these instruments, the accumulated revaluation reserve is transferred to retained earnings.

Financial guarantees, letters of credit and loan commitments

The Group issues financial guarantees, letters of credit and loan commitments.

Financial guarantees are initially recognized in the consolidated financial statements at fair value, being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognized, less cumulative amortization recognized in the consolidated statement of profit or loss, and an ECL allowance.

Undrawn loan commitments and letters of credits are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Similar to financial guarantee contracts, these commitments are in the scope of the ECL requirements.

Reclassification of financial assets and liabilities

The Group does not reclassify financial assets after their initial recognition, apart from exceptional cases, when the Group changes its business model for managing financial assets. Financial liabilities are never reclassified. The Group did not reclassify its financial assets or liabilities in 2022.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBRB (excluding obligatory reserves) and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards and swaps in the foreign exchange market. Such financial instruments are classified as at fair value through profit or loss. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors.

Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of profit or loss within "Net gains from foreign currencies – dealing".

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to credit institutions, amounts due to customers, amounts due to international financial institutions, debt securities issued and other borrowed funds. After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the consolidated statement of profit or loss when the borrowings are derecognized as well as through the amortization process.

3. Summary of accounting policies (continued)

Borrowings (continued)

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the consolidated statement of profit or loss.

Leases

(i) Group as a lessee

The Group applies a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset becomes available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment testing.

Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below BYN 12 thousand). Lease payments on short-term leases and leases of low value-assets are recognized as expense on a straight-line basis over the lease term.

3. Summary of accounting policies (continued)

Leases (continued)

Significant judgment in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has an option, under some of its leases, to lease the assets for additional terms of three to five years. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

(ii) Operating – Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Lease income arising is accounted for on a straight-line basis over the lease term and is included in revenue in the consolidated statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as lease income. Contingent lease payments are recognized as revenue in the period in which they are received.

(iii) Finance – Group as a lessor

The Group recognizes lease receivables in an amount equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of lease receivables.

Offsetting of financial assets

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The right to set-off must not be contingent on a future event and should be enforceable in all the following circumstances:

- The normal course of business;
- The event of default; and
- The event of insolvency or bankruptcy of the entity or any of its counterparties.

These conditions are not generally met in master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and agreeing new loan conditions.

3. Summary of accounting policies (continued)

Renegotiated loans (continued)

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 loans for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognize a loan to a customer, amongst others, the Group considers the following factors:

- A change in the currency of a loan;
- A change in the counterparty;
- Whether the modification is such that the instrument no longer meets the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group recognizes gains or losses from the modification that are recorded within interest income calculated using the effective interest rate method in the consolidated statement of profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Group also reassesses whether there has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as a result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest must be made during at least half of the probation period in accordance with the modified payment schedule.

Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group’s continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group’s continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Write-off

Financial assets are written off either partially or in their entirety only when the Group has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied to the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of profit or loss.

Taxation

Current income tax expense is calculated in accordance with the regulations of the Republic of Belarus applicable to the Group companies operating in the Republic of Belarus, including the representative office of Raiffeisen-Leasing Litauen UAB. Current income tax of the subsidiary Raiffeisen-Leasing Litauen UAB is calculated and paid in accordance with the current legislation of Lithuania.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax regulations that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Tax assets and liabilities are recognized on the level of each of the Group’s companies. Assets of one company of the Group may not be offset against the liabilities of the other Group company.

Belarus also has various operating taxes, which are assessed on the Group’s activities. These taxes are recognized within other operating expenses in the consolidated statement of profit or loss.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment, as adjusted for hyperinflation. Such cost includes the cost of replacing part of the equipment when that cost is incurred, if the recognition criteria are met.

3. Summary of accounting policies (continued)

Property and equipment (continued)

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

	Years
Buildings	25-50
Furniture, fixtures and other	5-10

The assets’ residual values, useful lives and depreciation methods are reviewed and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Investment property

Investment property is a building or a part of building held to earn rental income or for capital appreciation and which is not used by the Group or held for the sale in the ordinary course of business.

Investment property is recognized at cost, including transaction costs adjusted for hyperinflation, less accumulated depreciation and impairment.

Earned rental income is recorded within other income in the consolidated statement of profit or loss.

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with it will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified as property and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	50-100

Intangible assets

Intangible assets include computer software and other intangible assets.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses, as adjusted for hyperinflation.

The useful lives of intangible assets are finite. Intangible assets with finite lives are amortized over the useful economic lives of 4 to 6 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortization periods and methods for intangible assets with finite useful lives are reviewed at least at each reporting year-end.

3. Summary of accounting policies (continued)

Inventories

Inventories include property transferred to the Group as a repayment of loans, as well as blocks of apartments and construction-in-progress owned by the Group. Inventories are recorded at the lower of cost and net realizable value.

Impairment, reversal and realization of inventories are recognized in other income or other expenses of the Group.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying future economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Retirement and other employee benefit obligations

The Group participates in the state pension system of the Republic of Belarus, which requires current contributions by the employer calculated as a percentage of current gross salary payments. Such expense is charged in the period the related salaries are earned.

In addition, the Group operates a defined benefit plan through its wholly owned subsidiary "Priorlife" JLLC, which provides eligible employees with retirement benefits upon reaching the retirement age of 63 for men and 58 for women and upon meeting certain other requirements.

The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

Revaluation results, including gains and losses and excluding net interest, are recognized directly in the consolidated statement of financial position with respective amount allocated to reserve of revaluation of net pension plan liability through other comprehensive income in the statement of comprehensive income in the period when the respective gains and losses occurred. Revaluation results not to be reclassified to profit or loss in subsequent periods.

Past services costs are recognized in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the Group recognizes restructuring-related costs.

Net interest is calculated using the discount rate with respect to net defined benefit plan liabilities.

The Group recognizes the following changes of net defined benefit plan liabilities in the consolidated statement of profit or loss as personnel expenses:

- Service costs including current service costs, past service costs, gains and losses upon curtailment and unscheduled settlements under the plan;
- Net interest gains or losses.

Share capital

Share capital

Ordinary shares and preferred shares are both classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional paid-in capital.

Share capital and additional paid-in capital are recognized at cost adjusted for hyperinflation.

(thousands of Belarusian rubles)

3. Summary of accounting policies (continued)

Share capital (continued)

Dividends

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

Fiduciary assets

Fiduciary assets are not reported in the consolidated financial statements, as they are not owned by the Group.

Segment reporting

The Group's segment reporting is based on the following operating segments: Retail banking, Corporate banking, and Other.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized in the consolidated financial statements:

Interest income and expense

The Group calculates interest income on debt financial assets measured at amortized cost or FVOCI, applying the effective interest rate to the gross carrying amount of financial assets, except for credit-impaired assets. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest income or expense.

When a financial asset becomes credit-impaired, the Group calculates interest income by applying the effective interest rate to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

3. Summary of accounting policies (continued)

Recognition of income and expenses (continued)

For purchased or originated credit-impaired (POCI) financial assets, the Group calculates interest income by calculating the credit-adjusted effective interest rate and applying that rate to the amortized cost of the financial asset. The credit-adjusted effective interest rate is the interest rate that, at original recognition, discounts the estimated future cash flows (including credit losses) to the amortized cost of the POCI assets.

The interest income for all financial assets at FVPL is recognized with the use of a contractual interest rate in "Other interest income" in the consolidated statement of profit or loss.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee and commission income can be divided into the following two categories:

Fee and commission income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and fees for asset management, custody and other management and advisory services. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan.

Fee and commission income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to certain performance indicators are recognized after fulfilling the corresponding criteria.

Dividend income

Income is recognized when the Group's right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in Belarusian rubles, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated statement of profit or loss as "Net gains from foreign currencies – translation differences". Non-monetary items that are measured in terms of actual cost in a foreign currency are translated using the exchange rates at the dates of the transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBRB exchange rate on the date of the transaction are included in net gains from foreign currencies. The official NBRB exchange rates as at 31 December 2022 and 2021 were 2.7364 Belarusian rubles and 2.5481 Belarusian rubles to 1 US dollar, respectively.

3. Summary of accounting policies (continued)

Foreign currency translation (continued)

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into Belarusian rubles at the rate of exchange ruling at the reporting date and their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognized in other comprehensive income relating to that particular entity is recognized in profit or loss.

Insurance

Insurance contracts are those contracts are contracts that transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Group uses the accounting policies set by the Ministry of Finance of the Republic of Belarus for insurance companies in the Republic of Belarus.

The Group offers products of voluntary additional pension and life insurance, life and health insurance for children.

At each reporting date, the Group determines the adequacy of recognized insurance liabilities by estimating future cash flows from insurance contracts and comparing these estimates of forecast cash flows with the carrying amounts of the liabilities.

If the test shows that the recorded amount of liabilities is insufficient, then the difference is attributed to the expenses of the reporting period.

Standards issued but not yet effective

The new standards, amendments and interpretations that were issued as at the date of issuance of the financial statements of the Group but are not mandatory and were not early adopted by the Group in the financial statements for 2022 are disclosed below.

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

Credit cards and similar products that provide insurance coverage: most issuers of these products will be able to continue with their existing accounting treatment as a financial instrument under IFRS 9. IFRS 17 excludes from its scope credit card contracts (and other similar contracts that provide credit or payment arrangements) that meet the definition of an insurance contract if, and only if, the entity does not reflect an assessment of the insurance risk associated with an individual customer in setting the price of the contract with that customer.

When the insurance coverage is provided as part of the contractual terms of the credit card, the issuer is required to:

- Separate the insurance coverage component and apply IFRS 17 to it;
- Apply other applicable standards (such as IFRS 9, IFRS 15 *Revenue from Contracts with Customers* or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) to the other components.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Loan contracts that meet the definition of insurance but limit the compensation for insured events to the amount otherwise required to settle the policyholder's obligation created by the contract: issuers of such loans – e.g. a loan with waiver on death – have an option to apply IFRS 9 or IFRS 17. The election would be made at a portfolio level and would be irrevocable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on the date it first applies IFRS 17.

The Group plans to apply IFRS 17 using the modified retrospective approach and recognize the cumulative effect of initial application of IFRS 17 at the date of initial application. The Group is completing the assessment of the effect of adoption of IFRS 17 and, taking into account scope exemptions for particular banking products, such as credit cards, in IFRS 17.7(h), the Group does not expect any significant impact on its consolidated financial statements from the date of adoption of the new standard in 2023.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. In June 2022, the IASB decided to finalize the proposed amendments to IAS 1 published in the exposure draft *Non-current Liabilities with Covenants* with some modifications (the 2022 Amendments).

The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification;
- That an entity shall disclose additional information if it classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months.

The amendments are effective for annual periods beginning on or after 1 January 2024 with earlier application permitted.

The Group is currently assessing the impact the amendments may have on current practice, whether existing loan agreements may require renegotiation and the possibility of early application.

Amendments to IAS 12 Income Taxes

In May 2021, the IASB issued amendments, which narrow the scope of the initial recognition exception under IAS 12 *Income Taxes*, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The exemption applies only if the recognition of a lease asset and a lease liability (or a decommissioning liability and the corresponding amounts of the related asset) does not give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

At the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognized for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The amendments are effective for annual periods beginning on 1 January 2023. The Group is currently assessing the possible impact of these amendments on the calculation of deferred taxes.

Amendments to IFRS 16 Leases

On 22 September 2022, the IASB issued amendments to IFRS 16 *Leases*, adding guidance on the subsequent measurement of assets and liabilities in sale and leaseback transactions that meet the criteria for a transfer of control of an asset in IFRS 15 *Revenue from Contracts with Customers*.

The amendments require a seller-lessee to measure the lease liability arising from a leaseback in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee.

Entities should use IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to develop an accounting policy for determining how to measure lease payments for such transactions.

The amendments should be applied retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application of the amendments.

A seller-lessee shall apply the amendments for annual reporting periods beginning on or after 1 January 2024, with earlier application permitted.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, which define "accounting estimates". The amendments clarify the difference between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, the document specifies how organizations use methods of measurement and input data to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

These amendments are not expected to have any significant impact on the Group.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they may have on the Group's accounting policy disclosures.

4. Significant accounting judgments and estimates

In the process of applying the Group’s accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the consolidated financial statements. The most significant judgments and estimates used are as follows.

Assumptions and estimation uncertainty

Losses from impairment of financial assets

The assessment of losses by all categories of financial assets requires judgment to be applied. In particular, when determining ECL and assessing a significant increase in credit risk, it is necessary to assess the amount and timing of future cash flows, and the value of collateral. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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

- The Group’s internal credit grading model, which assigns PDs to individual grades;
- The Group’s criteria for assessing if there has been a significant increase in credit risk, so allowances for impairment of financial assets should be measured on the lifetime ECL basis, and qualitative assessment;
- Segmentation of financial assets when their ECL are assessed on a collective basis;
- Development of ECL models, including various formulae and the choice of inputs;
- Determination of interrelations between macroeconomic scenarios and economic data. For example, the interrelation between the unemployment rate and the collateral value, as well as the impact on the probability of default (PD), exposure at default (EAD), and loss given default (LGD);
- Selection of forecast macroeconomic scenarios and weighing of their probability to obtain economic inputs for ECL assessment models.

The following assumptions regarding the impairment of financial instruments are presented in Note 28: assessing whether the credit risk of a financial asset has increased significantly since initial recognition; and incorporating forward-looking information into the measurement of ECL.

The allowance recognized in the consolidated statement of financial position as at 31 December 2022 was BYN 125,646 thousand (2021: BYN 139,546 thousand). More details are provided in Notes 6, 8, 9, 10 and 22.

Assessment of payment liabilities under the pension plan of “Priorlife” JLLC

A defined benefit obligation is assessed on an actuarial basis using the projected unit credit method. The estimate is based on management’s assumption regarding rates of salary growth, inflation and discounts. Other assumptions used, the estimate might differ. The sensitivity analysis to changes of key assumptions used in determining benefit obligations is disclosed in Note 27.

Deferred tax assets

A deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Estimation of probabilities is based on management’s estimation of future taxable profit and involves the exercise of significant judgment of the management of the Group. Further details regarding taxation issues are provided in Note 14.

(thousands of Belarusian rubles)

5. Segment information

For management purposes, the Group identifies three operating segments based on its products and service, as follows:

Retail banking – principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities, provision of leasing services.

Corporate banking – principally handling loans, opening of deposits and current accounts for corporate and institutional customers, except for banking financial institutions.

Other – Treasury and International Department (transactions with banks) and other central functions that are not directly allocated.

For the purpose of segment reporting, interest is allocated using the direct method based on the actual results of each segment.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Income taxes are accounted for on a group basis and are not allocated to operating segments.

In 2022 and 2021, the Group had no interest income or expense from transactions with one external customer or counterparty, which would amount to 10% or more of total income and expense of each segment.

Non-current non-financial assets and deferred tax assets are related to the Republic of Belarus. Generally, all income is earned from sources in the Republic of Belarus.

(thousands of Belarusian rubles)

5. Segment information (continued)

The following tables present income, profit and asset and liability information regarding the Group's operating segments.

2022	*Retail banking*	*Corporate banking*	*Other/ unallocated*	*Total*
External income				
Interest income	150,072	217,482	39,542	**407,096**
Interest expense	(20,978)	(19,466)	(27,439)	**(67,883)**
Net interest income	**129,094**	**198,016**	**12,103**	**339,213**
Credit loss expense	(4,369)	2,982	(8,113)	**(9,500)**
Net interest income after credit loss expense	**124,725**	**200,998**	**3,990**	**329,713**
Net fee and commission income	109,955	51,655	(8,508)	**153,102**
Net gains/(losses) from derecognition of financial assets at amortized cost	–	–	(24,824)	**(24,824)**
Net gains/(losses) from derecognition of financial assets at fair value through other comprehensive income	–	–	(6,742)	**(6,742)**
Net gains from foreign currencies	5,326	8,731	246,385	**260,442**
Other non-interest income	–	–	80,175	**80,175**
Non-interest expense	(84,458)	(104,006)	(113,351)	**(301,815)**
Segment financial results	**155,548**	**157,378**	**177,125**	**490,051**
Income tax expense				**(127,533)**
Profit for the year				**362,518**
Assets and liabilities				
Segment assets	747,262	1,400,319	5,823,280	**7,970,861**
Total assets				**7,970,861**
Segment liabilities	2,031,548	3,730,292	668,752	**6,430,592**
Total liabilities				**6,430,592**
Other segment information				
Capital expenditure	89	60	39,706	**39,855**
Depreciation and amortization	(7,826)	(10,263)	(19,860)	**(37,949)**

(thousands of Belarusian rubles)

5. Segment information (continued)

2021	*Retail banking*	*Corporate banking*	*Other/ unallocated*	*Total*
External income				
Interest income	133,304	207,428	21,120	**361,852**
Interest expense	(32,745)	(38,026)	(32,283)	**(103,054)**
Net interest income	**100,559**	**169,402**	**(11,163)**	**258,798**
Credit loss expense	(2,348)	(28,758)	6,434	**(24,672)**
Net interest income after credit loss expense	**98,211**	**140,644**	**(4,729)**	**234,126**
Net fee and commission income	45,624	69,137	(3,636)	**111,125**
Net gains from foreign currencies	29,012	49,006	17,488	**95,506**
Other non-interest income	–	–	86,281	**86,281**
Non-interest expense	(86,446)	(96,588)	(100,125)	**(283,159)**
Segment financial results	**86,401**	**162,199**	**(4,721)**	**243,879**
Income tax expense				**(59,556)**
Profit for the year				**184,323**
Assets and liabilities				
Segment assets	922,454	2,159,029	3,147,114	**6,228,597**
Total assets				**6,228,597**
Segment liabilities	1,738,353	2,437,934	858,088	**5,034,375**
Total liabilities				**5,034,375**
Other segment information				
Capital expenditure	1,963	1,510	39,050	**42,523**
Depreciation and amortization	(7,452)	(7,972)	(21,076)	**(36,500)**

(thousands of Belarusian rubles)

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2022	2021
Current accounts with the NBRB	1,551,831	584,072
Current accounts with credit institutions	1,432,812	319,797
Cash on hand	738,187	215,032
Time deposits with credit institutions up to 90 days	154,014	701,069
Time deposits with NBRB up to 90 days	–	300,006
Total cash and cash equivalents	**3,876,844**	**2,119,976**
Less allowance for impairment	(20)	(41)
Cash and cash equivalents	**3,876,824**	**2,119,935**

As at 31 December 2022, time deposits were represented by short-term deposits with one foreign bank and one Belarusian bank (2021: four foreign banks).

All balances of cash equivalents are allocated to Stage 1. Movements in ECL allowances for the year are as follows:

	2022	2021
Allowance for ECL at 1 January	**41**	**1**
Changes in ECL	(21)	40
Foreign exchange differences	–	–
Allowance for ECL at 31 December	**20**	**41**

7. Trading securities

Trading securities owned by the Group comprise bonds of the Ministry of Finance of the Republic of Belarus denominated in euros (2021: bonds of the Ministry of Finance of the Republic of Belarus denominated in US dollars and euros). Securities of this category are measured at fair value through profit or loss.

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2022	2021
Obligatory reserve with the NBRB	57,707	49,489
Time deposits for more than 90 days	78,845	105,356
Other funds	61,865	662
Total amounts due from credit institutions	**198,417**	**155,507**
Less allowance for impairment	(1,945)	(347)
Amounts due from credit institutions	**196,472**	**155,160**

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

As at 31 December 2022, the Bank had time deposits with five Belarusian banks.

Other funds include funds provided to non-resident banks as collateral in the amount of BYN 23,903 thousand, funds contributed to the FX market guarantee fund of JSC "Belarusian Currency and Stock Exchange" in the amount of BYN 200 thousand, and funds blocked in a foreign bank in the amount of BYN 37,762 thousand (2021: funds under two-factor factoring in the amount of BYN 662 thousand).

(thousands of Belarusian rubles)

8. Amounts due from credit institutions (continued)

Movements in ECL allowances for the year are as follows:

	2022	*2021*
Allowance for ECL at 1 January	**347**	**6**
Changes in ECL	1,598	(1,297)
Reclassification of the allowance for amounts due from credit institutions to JLLC "Priorlife" as a result of its declassification as a disposal group held for sale	–	1,638
Allowance for ECL at 31 December	**1,945**	**347**

9. Loans to customers

Loans to customers comprise:

	2022	*2021*
Corporate lending	1,037,572	1,636,744
Consumer lending	613,967	763,586
Small business lending	427,173	603,952
Residential mortgages	160,750	181,268
Total loans to customers at amortized cost	**2,239,462**	**3,185,550**
Less allowance for impairment	(94,076)	(119,355)
Loans to customers at amortized cost	**2,145,386**	**3,066,195**

Movements in the gross carrying amount and respective ECL related to corporate lending for the year ended 31 December 2022 are as follows:

Allowance for impairment of loans to customers

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**1,035,160**	**555,700**	**45,884**	**–**	**1,636,744**
New originated or purchased assets	665,486	15,185	–	–	**680,671**
Assets redeemed	(815,831)	(470,097)	(12,695)	–	**(1,298,623)**
Transfers to Stage 1	26,907	(26,907)	–	–	**–**
Transfers to Stage 2	(162,416)	162,416	–	–	**–**
Transfers to Stage 3	(1,868)	(6,855)	8,723	–	**–**
Unwinding of discount	4,293	557	1,168	–	**6,018**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(1)	–	**(1)**
Amounts written off	–	–	(22,433)	–	**(22,433)**
Foreign exchange differences	27,831	5,426	1,939	–	**35,196**
At 31 December 2022	**779,562**	**235,425**	**22,585**	**–**	**1,037,572**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2022	**1,608**	**28,802**	**35,681**	**–**	**66,091**
New originated or purchased assets	1,349	25	–	–	**1,374**
Assets redeemed	(1,199)	(20,958)	(5,996)	–	**(28,153)**
Transfers to Stage 1	411	(411)	–	–	**–**
Transfers to Stage 2	(663)	663	–	–	**–**
Transfers to Stage 3	(5)	(291)	296	–	**–**
Effect on period-end ECL due to transfers between stages during the period	(93)	631	7,191	–	**7,729**
Changes in inputs used for ECL calculations	257	(289)	841	–	**809**
Unwinding of discount (recognized in interest income)	–	–	422	–	**422**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(1)	–	**(1)**
Amounts written off	–	–	(22,433)	–	**(22,433)**
Foreign exchange differences	(188)	(4,884)	1,245	–	**(3,827)**
At 31 December 2022	**1,477**	**3,288**	**17,246**	**–**	**22,011**

Movements in the gross carrying amount and respective ECL related to corporate lending for the year ended 31 December 2021 are as follows:

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**1,740,514**	**252,229**	**41,910**	**962**	**2,035,615**
New originated or purchased assets	916,766	93,672	–	–	**1,010,438**
Assets redeemed	(1,052,481)	(249,992)	(3,741)	(530)	**(1,306,744)**
Transfers to Stage 1	5,458	(5,458)	–	–	**–**
Transfers to Stage 2	(480,002)	480,002	–	–	**–**
Transfers to Stage 3	(7,899)	(755)	8,654	–	**–**
Unwinding of discount	5,086	1,852	420	–	**7,358**
Amounts written off	–	–	(851)	(432)	**(1,283)**
Foreign exchange differences	(92,282)	(15,850)	(508)	–	**(108,640)**
At 31 December 2021	**1,035,160**	**555,700**	**45,884**	**–**	**1,636,744**

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Corporate lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2021	**13,983**	**4,451**	**36,426**	**262**	**55,122**
New originated or purchased assets	9,421	5,008	–	–	**14,429**
Assets redeemed	(7,406)	(3,767)	(2,645)	–	**(13,818)**
Transfers to Stage 1	152	(152)	–	–	**–**
Transfers to Stage 2	(10,241)	10,241	–	–	**–**
Transfers to Stage 3	(171)	(1)	172	–	**–**
Effect on period-end ECL due to transfers between stages during the period	(156)	9,298	3,171	–	**12,313**
Changes in inputs used for ECL calculations	(3,669)	4,990	(646)	170	**845**
Unwinding of discount (recognized in interest income)	–	–	372	–	**372**
Amounts written off	–	–	(851)	(432)	**(1,283)**
Foreign exchange differences	(305)	(1,266)	(318)	–	**(1,889)**
At 31 December 2021	**1,608**	**28,802**	**35,681**	**–**	**66,091**

Movements in the gross carrying amount and respective ECL related to small business lending for the year ended 31 December 2022 are as follows:

Small business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**486,872**	**82,669**	**34,411**	**–**	**603,952**
New originated or purchased assets	194,247	13,519	–	–	**207,766**
Assets redeemed	(308,488)	(76,314)	(3,065)	–	**(387,867)**
Transfers to Stage 1	7,661	(7,576)	(85)	–	**–**
Transfers to Stage 2	(108,099)	109,240	(1,141)	–	**–**
Transfers to Stage 3	(11,152)	(11,401)	22,553	–	**–**
Unwinding of discount	1,267	381	996	–	**2,644**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(82)	–	**(82)**
Amounts written off	–	–	(4,783)	–	**(4,783)**
Foreign exchange differences	3,531	1,814	198	–	**5,543**
At 31 December 2022	**265,839**	**112,332**	**49,002**	**–**	**427,173**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Small business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2022	**3,120**	**1,121**	**24,678**	**–**	**28,919**
New originated or purchased assets	2,621	82	–	–	**2,703**
Assets redeemed	(1,926)	(1,402)	(1,501)	–	**(4,829)**
Transfers to Stage 1	203	(136)	(67)	–	**–**
Transfers to Stage 2	(629)	1,338	(709)	–	**–**
Transfers to Stage 3	(135)	(456)	591	–	**–**
Effect on period-end ECL due to transfers between stages during the period	(77)	407	14,160	–	**14,490**
Changes in inputs used for ECL calculations	762	173	4,252	–	**5,187**
Unwinding of discount (recognized in interest income)	–	–	2,367	–	**2,367**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(82)	–	**(82)**
Amounts written off	–	–	(4,783)	–	**(4,783)**
Foreign exchange differences	(64)	530	(166)	–	**300**
At 31 December 2022	**3,875**	**1,657**	**38,740**	**–**	**44,272**

Movements in the gross carrying amount and respective ECL related to small business lending for the year ended 31 December 2021 are as follows:

Small business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**560,804**	**105,150**	**26,977**	**715**	**693,646**
New originated or purchased assets	337,440	4,411	–	–	**341,851**
Assets redeemed	(342,631)	(61,572)	(4,398)	(75)	**(408,676)**
Transfers to Stage 1	25,031	(25,031)	–	–	**–**
Transfers to Stage 2	(71,073)	71,146	(73)	–	**–**
Transfers to Stage 3	(8,670)	(8,263)	16,933	–	**–**
Unwinding of discount	2,273	492	1,330	–	**4,095**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(25)	–	**(25)**
Amounts written off	–	–	(5,655)	(640)	**(6,295)**
Foreign exchange differences	(16,302)	(3,664)	(678)	–	**(20,644)**
At 31 December 2021	**486,872**	**82,669**	**34,411**	**–**	**603,952**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Small business lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2021	**4,051**	**2,493**	**20,099**	**715**	**27,358**
New originated or purchased assets	2,282	63	–	–	**2,345**
Assets redeemed	(2,211)	(1,044)	(2,338)	–	**(5,593)**
Transfers to Stage 1	642	(642)	–	–	**–**
Transfers to Stage 2	(600)	646	(46)	–	**–**
Transfers to Stage 3	(189)	(292)	481	–	**–**
Effect on period-end ECL due to transfers between stages during the period	(265)	244	9,343	–	**9,322**
Changes in inputs used for ECL calculations	(520)	(293)	2,088	(75)	**1,200**
Unwinding of discount (recognized in interest income)	–	–	1,116	–	**1,116**
Changes in contractual cash flows due to modification not resulting in derecognition	–	(13)	(12)	–	**(25)**
Amounts written off	–	–	(5,655)	(640)	**(6,295)**
Foreign exchange differences	(70)	(41)	(398)	–	**(509)**
At 31 December 2021	**3,120**	**1,121**	**24,678**	**–**	**28,919**

Movements in the gross carrying amount and respective ECL related to consumer lending for the year ended 31 December 2022 are as follows:

Consumer lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**710,933**	**33,983**	**18,670**	**–**	**763,586**
New originated or purchased assets	81,286	–	–	–	**81,286**
Assets redeemed	(207,593)	(13,345)	(5,013)	–	**(225,951)**
Transfers to Stage 1	11,440	(10,998)	(442)	–	**–**
Transfers to Stage 2	(38,201)	39,103	(902)	–	**–**
Transfers to Stage 3	(10,300)	(5,184)	15,484	–	**–**
Unwinding of discount	83	–	–	–	**83**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(142)	–	**(142)**
Amounts written off	–	–	(5,025)	–	**(5,025)**
Foreign exchange differences	77	–	53	–	**130**
At 31 December 2022	**547,725**	**43,559**	**22,683**	**–**	**613,967**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Consumer lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2022	**2,638**	**3,704**	**14,645**	**–**	**20,987**
New originated or purchased assets	1,453	–	–	–	**1,453**
Assets redeemed	(1,804)	(923)	(3,087)	–	**(5,814)**
Transfers to Stage 1	1,163	(890)	(273)	–	**–**
Transfers to Stage 2	(205)	923	(718)	–	**–**
Transfers to Stage 3	(85)	(766)	851	–	**–**
Effect on period-end ECL due to transfers between stages during the period	(1,062)	2,182	8,943	–	**10,063**
Changes in inputs used for ECL calculations	(14)	243	1,267	–	**1,496**
Unwinding of discount (recognized in interest income)	–	–	1,037	–	**1,037**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(142)	–	**(142)**
Amounts written off	–	–	(5,025)	–	**(5,025)**
Foreign exchange differences	(21)	–	43	–	**22**
At 31 December 2022	**2,063**	**4,473**	**17,541**	**–**	**24,077**

Movements in the gross carrying amount and respective ECL related to consumer lending for the year ended 31 December 2021 are as follows:

Consumer lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**598,406**	**129,145**	**16,948**	**–**	**744,499**
New originated or purchased assets	218,671	–	–	–	**218,671**
Assets redeemed	(173,921)	(15,518)	(3,854)	–	**(193,293)**
Transfers to Stage 1	94,301	(94,155)	(146)	–	**–**
Transfers to Stage 2	(20,831)	21,599	(768)	–	**–**
Transfers to Stage 3	(4,821)	(7,036)	11,857	–	**–**
Unwinding of discount	88	68	–	–	**156**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(99)	–	**(99)**
Amounts written off	–	–	(5,234)	–	**(5,234)**
Foreign exchange differences	(960)	(120)	(34)	–	**(1,114)**
At 31 December 2021	**710,933**	**33,983**	**18,670**	**–**	**763,586**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Consumer lending	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2021	**2,346**	**5,814**	**12,874**	**–**	**21,034**
New originated or purchased assets	1,536	–	–	–	**1,536**
Assets redeemed	(1,130)	(779)	(2,358)	–	**(4,267)**
Transfers to Stage 1	2,218	(2,121)	(97)	–	**–**
Transfers to Stage 2	(136)	713	(577)	–	**–**
Transfers to Stage 3	(48)	(1,116)	1,164	–	**–**
Effect on period-end ECL due to transfers between stages during the period	(1,808)	1,023	6,917	–	**6,132**
Changes in inputs used for ECL calculations	(325)	171	1,326	–	**1,172**
Unwinding of discount (recognized in interest income)	–	–	757	–	**757**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	(99)	–	**(99)**
Amounts written off	–	–	(5,234)	–	**(5,234)**
Foreign exchange differences	(15)	(1)	(28)	–	**(44)**
At 31 December 2021	**2,638**	**3,704**	**14,645**	**–**	**20,987**

Movements in the gross carrying amount and respective ECL related to residential mortgages for the year ended 31 December 2022 are as follows:

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2022	**171,695**	**4,219**	**5,354**	**–**	**181,268**
New originated or purchased assets	1,058	–	–	–	**1,058**
Assets redeemed	(19,074)	(491)	(1,930)	–	**(21,495)**
Transfers to Stage 1	786	(490)	(296)	–	**–**
Transfers to Stage 2	(1,351)	1,520	(169)	–	**–**
Transfers to Stage 3	(989)	(1,912)	2,901	–	**–**
Unwinding of discount	(56)	41	(12)	–	**(27)**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	–	–	**–**
Foreign exchange differences	(58)	4	–	–	**(54)**
At 31 December 2022	**152,011**	**2,891**	**5,848**	**–**	**160,750**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2022	**796**	**227**	**2,335**	**–**	**3,358**
New originated or purchased assets	71	–	–	–	**71**
Assets redeemed	(128)	(15)	(976)	–	**(1,119)**
Transfers to Stage 1	127	(16)	(111)	–	**–**
Transfers to Stage 2	(17)	126	(109)	–	**–**
Transfers to Stage 3	(7)	(138)	145	–	**–**
Effect on period-end ECL due to transfers between stages during the period	(116)	(67)	886	–	**703**
Changes in inputs used for ECL calculations	31	10	642	–	**683**
Unwinding of discount (recognized in interest income)	–	–	33	–	**33**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	–	–	**–**
Foreign exchange differences	(4)	–	(9)	–	**(13)**
At 31 December 2022	**753**	**127**	**2,836**	**–**	**3,716**

Movements in the gross carrying amount and respective ECL related to residential mortgages for the year ended 31 December 2021 are as follows:

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Gross carrying amount at 1 January 2021	**151,140**	**21,231**	**4,846**	**–**	**177,217**
New originated or purchased assets	21,250	–	–	–	**21,250**
Assets redeemed	(14,184)	(1,820)	(1,016)	–	**(17,020)**
Transfers to Stage 1	17,090	(17,090)	–	–	**–**
Transfers to Stage 2	(3,194)	3,587	(393)	–	**–**
Transfers to Stage 3	(346)	(1,569)	1,915	–	**–**
Unwinding of discount	53	(57)	2	–	**(2)**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	–	–	**–**
Foreign exchange differences	(114)	(63)	–	–	**(177)**
At 31 December 2021	**171,695**	**4,219**	**5,354**	**–**	**181,268**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Residential mortgages	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
ECL at 1 January 2021	**686**	**375**	**1,514**	**–**	**2,575**
New originated or purchased assets	54	–	–	–	**54**
Assets redeemed	(85)	(23)	(390)	–	**(498)**
Transfers to Stage 1	298	(298)	–	–	**–**
Transfers to Stage 2	(38)	184	(146)	–	**–**
Transfers to Stage 3	(5)	(38)	43	–	**–**
Effect on period-end ECL due to transfers between stages during the period	(178)	26	708	–	**556**
Changes in inputs used for ECL calculations	64	5	572	–	**641**
Unwinding of discount (recognized in interest income)	–	–	34	–	**34**
Changes in contractual cash flows due to modification not resulting in derecognition	–	–	–	–	**–**
Foreign exchange differences	–	(4)	–	–	**(4)**
At 31 December 2021	**796**	**227**	**2,335**	**–**	**3,358**

Stage 2 new originated or purchased assets reflect drawdowns of open credit facilities.

Modified and restructured loans to customers

The Group derecognizes a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognized as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognized loans are classified as Stage 1 loans for ECL measurement purposes, unless the new loan is deemed to be POCI.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the changes in cash flows discounted at the original effective interest rate, the Group recognizes a gain or loss from modification to the extent that an impairment loss has not already been recorded.

The table below shows Stage 2 and Stage 3 assets that were renegotiated during the period and, as a result, recorded as restructured loans, with the recognition of respective modification losses incurred by the Group.

	2022	*2021*
Loans to customers modified during the period	**63,713**	**64,961**
Amortized cost before modification	63,938	65,085
Net loss on modification	(225)	(124)

Collateral and other credit risk enhancements

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

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventories and receivables;
- For retail lending, mortgages over residential properties, cars, sureties.

The Group also obtains guarantees from parent companies for loans to their subsidiaries.

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Collateral and other credit risk enhancements (continued)

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for loan impairment.

The table below presents the analysis of the current fair value of collateral and credit enhancements for loans to customers. Depending on the level of collateral, ECL for some assets may not be assessed individually when the expected value of collateral exceeds the LGD level, even if subsequently the value of collateral is projected using multiple economic scenarios. However, ECL can be higher than net exposure shown below when the future value of collateral measured using multiple economic scenarios is expected to decline.

	Maximum exposure to credit risk	*Fair value of collateral held under the base scenario*				*Net exposure*	*Associated ECL*
		Cash/ deposits	*Property*	*Other**	*Total collateral*		
At 31 December 2022	**2,239,462**	**188**	**692,978**	**136,726**	**829,892**	**1,409,570**	**94,076**
Corporate lending	1,037,572	–	437,418	72,786	**510,204**	527,368	22,011
Small business lending	427,173	188	102,485	54,959	**157,632**	269,541	44,272
Consumer lending	613,967	–	2,878	8,981	**11,859**	602,108	24,077
Residential mortgages	160,750	–	150,197	–	**150,197**	10,553	3,716

	Maximum exposure to credit risk	*Fair value of collateral held under the base scenario*				*Net exposure*	*Associated ECL*
		Cash/ deposits	*Property*	*Other**	*Total collateral*		
At 31 December 2021	**3,185,550**	**283**	**872,486**	**262,174**	**1,134,943**	**2,050,607**	**119,355**
Corporate lending	1,636,744	169	561,320	139,063	**700,552**	936,192	66,091
Small business lending	603,952	114	135,308	111,206	**246,628**	357,324	28,919
Consumer lending	763,586	–	3,991	11,905	**15,896**	747,690	20,987
Residential mortgages	181,268	–	171,867	–	**171,867**	9,401	3,358

* Vehicles, machinery, other fixed assets, inventories and receivables.

It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy repossessed properties for business use. The carrying amount of the assets repossessed and held as at the reporting date is as follows:

	2022	*2021*
Investment property	5,753	5,414
Property and equipment	157	205
Other assets	1,618	1,222
Total repossessed collateral	**7,528**	**6,841**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Concentration of loans to customers

As at 31 December 2022, the Group had a concentration of loans (except for Stage 3 loans) represented by BYN 290,691 thousand, or 13% of gross loan portfolio, due from the ten largest third-party borrowers (2021: BYN 642,659 thousand, or 20% of gross loan portfolio). An allowance of BYN 9,499 thousand (2021: BYN 47,677 thousand) was recognized against these loans.

Loans have been extended to the following types of customers:

	2022	*2021*
Private companies	1,403,970	1,959,430
Individuals	774,717	944,854
State companies	60,775	281,266
Loans to customers	**2,239,462**	**3,185,550**

Loans are made principally in the Republic of Belarus in the following industry sectors:

	2022	*2021*
Individuals	774,717	944,854
Manufacturing, including:	515,309	852,469
Chemicals, rubber, plastics	110,707	119,566
Food, beverages, tobacco products	99,892	143,007
Machinery, equipment	30,675	38,512
Wood processing	30,347	47,327
Coking coal, oil products	26,024	209,588
Pulp and paper industry	24,140	17,986
Textile industry	15,257	16,419
Pharmaceutical industry	12,332	20,466
Electric equipment	7,172	13,354
Metals and metalware production	1,619	5,465
Transport facilities	55	4,833
Other manufacturing	157,089	215,946
Wholesale trade	420,702	525,302
Retail trade	205,316	236,003
Transport	100,150	184,907
Real estate	90,977	108,330
Construction	41,517	69,856
Energy, gas, water supply	162	2,623
Mineral development and extraction	44	155,134
Other	90,568	106,072
Loans to customers	**2,239,462**	**3,185,550**

(thousands of Belarusian rubles)

9. Loans to customers (continued)

Finance lease receivables

The corporate lending portfolio comprises finance lease receivables. Finance lease receivables as at 31 December 2022 are analyzed below.

	Not later than 1 year	*From 1 year to 2 years*	*From 2 to 3 years*	*From 3 to 4 years*	*From 4 to 5 years*	*Later than 5 years*
Gross investment in finance leases	116,121	77,115	53,660	40,459	31,075	82,631
Unearned future finance income on finance leases	(23,801)	(17,115)	(12,692)	(9,636)	(7,329)	(39,555)
Net investment in finance leases	**92,320**	**60,000**	**40,968**	**30,823**	**23,746**	**43,076**

Finance lease receivables as at 31 December 2021 are analyzed below.

	Not later than 1 year	*From 1 year to 2 years*	*From 2 to 3 years*	*From 3 to 4 years*	*From 4 to 5 years*	*Later than 5 years*
Gross investment in finance leases	147,995	99,742	65,136	43,074	33,564	106,642
Unearned future finance income on finance leases	(27,871)	(19,465)	(14,171)	(10,919)	(8,657)	(47,369)
Net investment in finance leases	**120,124**	**80,277**	**50,965**	**32,155**	**24,907**	**59,273**

10. Investment securities

Investment securities comprise the following:

	2022	*2021*
Debt securities measured at amortized cost		
Bonds of the international Asian Development Bank	666,459	–
Bonds of the Ministry of Finance of the Republic of Belarus	416,846	338,795
Government Bonds of Saudi Arabia	13,793	–
Bonds of banks	12,073	25,595
Government Bonds of Qatar	8,273	–
Corporate bonds	2,515	2,409
USA Federal Government Bonds	–	91,751
	1,119,959	**458,550**
Less allowance for impairment	(25,609)	(5,082)
Debt securities measured at amortized cost	**1,094,350**	**453,468**
Debt securities at FVOCI		
Government Bonds of Kuwait	128,858	–
Government Bonds of Qatar	127,093	–
Government Bonds of Saudi Arabia	124,052	–
USA Federal Government Bonds	–	106,797
Debt securities at FVOCI	**380,003**	**106,797**
Equity securities at FVOCI	**1,985**	**1,586**
Total investment securities	**1,476,338**	**561,851**

10. Investment securities (continued)

Movements in the gross carrying amount and related allowances for ECL on debt securities measured at amortized cost for the year ended 31 December 2022 are presented below.

Debt securities measured at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount at 1 January 2022	**91,751**	**366,799**	**–**	**458,550**
New originated or purchased assets	2,643,254	–	–	**2,643,254**
Assets redeemed	(1,690,139)	(271,817)	–	**(1,961,956)**
Transfers to Stage 1	7,132	(7,132)	–	**–**
Transfers to Stage 2	(311,658)	311,658	–	**–**
Transfers to Stage 3	–	–	–	**–**
Unwinding of discount (recognized in interest income)	1,736	1,452	–	**3,188**
Foreign exchange differences	(29,795)	6,718	–	**(23,077)**
At 31 December 2022	**712,281**	**407,678**	**–**	**1,119,959**

Debt securities measured at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL at 1 January 2022	**1**	**5,081**	**–**	**5,082**
New originated or purchased assets	14,966	–	–	**14,966**
Assets redeemed	(90)	(152)	–	**(242)**
Transfers to Stage 1	321	(321)	–	**–**
Transfers to Stage 2	(13,096)	13,096		**–**
Transfers to Stage 3	–	–	–	**–**
Effect on period-end ECL due to transfers between stages during the period	–	2,068	–	**2,068**
Changes in models and inputs used for ECL assessment	–	–	–	**–**
Foreign exchange differences	4	3,731	–	**3,735**
At 31 December 2022	**2,106**	**23,503**	**–**	**25,609**

Movements in the gross carrying amount and related allowances for ECL on debt securities measured at amortized cost for the year ended 31 December 2021 are presented below.

Debt securities measured at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount at 1 January 2021	**361,973**	**–**	**–**	**361,973**
Reclassification from assets held for sale	112,976	–	–	**112,976**
New originated or purchased assets	5,361	–	–	**5,361**
Assets redeemed	(14,919)	–	–	**(14,919)**
Transfers to Stage 1	–	–	–	**–**
Transfers to Stage 2	(367,831)	367,831	–	**–**
Transfers to Stage 3	–	–	–	**–**
Unwinding of discount (recognized in interest income)	14	(55)	–	**(41)**
Foreign exchange differences	(5,823)	(977)	–	**(6,800)**
At 31 December 2021	**91,751**	**366,799**	**–**	**458,550**

(thousands of Belarusian rubles)

10. Investment securities (continued)

Debt securities measured at amortized cost	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL at 1 January 2021	**7,553**	**–**	**–**	**7,553**
Reclassification from assets held for sale	3,162	–	–	**3,162**
New originated or purchased assets	5	–	–	**5**
Assets redeemed	(418)	–	–	**(418)**
Transfers to Stage 1	–	–	–	**–**
Transfers to Stage 2	(10,301)	10,301	–	**–**
Transfers to Stage 3	–	–	–	**–**
Changes in models and inputs used for ECL assessment	–	(4,763)	–	**(4,763)**
Foreign exchange differences	–	(457)	–	**(457)**
At 31 December 2021	**1**	**5,081**	**–**	**5,082**

Movements in the gross carrying amount and respective allowances for ECL on debt securities measured at FVOCI for the year ended 31 December 2022 are presented below.

Debt securities at FVOCI	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount at 1 January 2022	**106,797**	**–**	**–**	**106,797**
New originated or purchased assets	676,753	–	–	**676,753**
Assets redeemed	(387,535)	–	–	**(387,535)**
Unwinding of discount (recognized in interest income)	(5,106)	–	–	**(5,106)**
Foreign exchange differences	(10,876)	–	–	**(10,876)**
At 31 December 2022	**380,033**	**–**	**–**	**380,033**

Debt securities at FVOCI	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Allowance for ECL at 1 January 2022	**–**	**–**	**–**	**–**
New originated or purchased assets	27	–	–	**27**
Assets redeemed	–	–	–	**–**
Unwinding of discount (recognized in interest income)	–	–	–	**–**
Foreign exchange differences	3	–	–	**3**
At 31 December 2022	**30**	**–**	**–**	**30**

Movements in the gross carrying amount of debt securities at FVOCI for the year ended 31 December 2021 are as follows:

Debt securities at FVOCI	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Gross carrying amount at 1 January 2021	**30,908**	**–**	**–**	**30,908**
New originated or purchased assets	75,536	–	–	**75,536**
Unwinding of discount (recognized in interest income)	(255)	–	–	**(255)**
Foreign exchange differences	608	–	–	**608**
At 31 December 2021	**106,797**	**–**	**–**	**106,797**

(thousands of Belarusian rubles)

10. Investment securities (continued)

The Group at its discretion designated certain investments in equity instruments as investments in equity instruments at FVOCI based on the fact that they are not held for trading. Such investments primarily include mandatory investments in the capital of stock exchanges and clearing companies and investments arising from debt securities received by the Group in exchange for debt repayment.

In 2022, the Group received dividends on equity instruments at FVOCI in the amount of BYN 356 thousand (2021: BYN 222 thousand), which were recognized within other income in the consolidated statement of comprehensive income.

USA Federal Government Bonds were sold in full in 2022. The sale does not result in the breach of the "hold to collect" business model, as it was carried out in connection with the Group's expectations of a possible blocking of payments on the bonds. In 2021, these bonds were pledged under loan agreements with the European Bank for Reconstruction and Development and the International Finance Corporation.

11. Investment property

The movements in investment property are as follows:

	2022	*2021*
Cost		
At 1 January	**15,625**	**19,675**
Additions	5	427
Disposals	(194)	(2,713)
Transfer from/to property and equipment	1,168	(1,764)
Transfer to other assets	(217)	–
At 31 December	**16,387**	**15,625**
Accumulated depreciation		
At 1 January	**(693)**	**(820)**
Depreciation charge	(529)	(298)
Depreciation of disposed items	6	142
Transfer from/to property and equipment	(156)	283
Transfer to other assets	13	–
At 31 December	**(1,359)**	**(693)**
Net book value		
At 1 January	**14,932**	**18,855**
At 31 December	**15,028**	**14,932**

	2022	*2021*
Rental income from investment property	1,378	1,321
Direct operating expenses on investment property that generates rental income	(381)	(363)
	997	**958**

The Group is not subject to any contractual liabilities to buy, construct, develop, repair, maintain or improve any items of investment property.

As at 31 December 2022, the Group has no investment property pledged as collateral (2021: BYN 1,358 thousand).

(thousands of Belarusian rubles)

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

The movements in property and equipment and right-of-use assets were as follows:

	Buildings	*Furniture, fixtures and other*	*Right-of-use assets*	*Total*
Cost				
At 31 December 2021	**113,910**	**163,242**	**9,691**	**286,843**
Additions	2,213	14,666	577	**17,456**
Disposals	(5,351)	(17,277)	(9,496)	**(32,124)**
Transfer to investment property	(1,168)	–	–	**(1,168)**
At 31 December 2022	**109,604**	**160,631**	**772**	**271,007**
Accumulated depreciation				
At 31 December 2021	**(30,324)**	**(98,755)**	**(7,097)**	**(136,176)**
Depreciation charge	(2,638)	(16,699)	(1,665)	**(21,002)**
Disposals	2,815	12,988	9,384	**25,187**
Impairment	(2,739)	–	–	**(2,739)**
Transfer to investment property	156	–	–	**156**
At 31 December 2022	**(32,730)**	**(102,466)**	**622**	**(134,574)**
Net book value				
At 31 December 2021	**83,586**	**64,487**	**2,594**	**150,667**
At 31 December 2022	**76,874**	**58,165**	**1,394**	**136,433**

	Buildings	*Furniture, fixtures and other*	*Right-of-use assets*	*Total*
Cost				
At 31 December 2020	**116,167**	**148,914**	**8,703**	**273,784**
Reclassification from assets held for sale	1,252	79	–	**1,331**
Additions	2,388	19,098	1,251	**22,737**
Disposals	(2,258)	(10,252)	(263)	**(12,773)**
Transfer to/from investment property	(3,639)	5,403	–	**1,764**
At 31 December 2021	**113,910**	**163,242**	**9,691**	**286,843**
Accumulated depreciation				
At 31 December 2020	**(30,117)**	**(87,273)**	**(4,960)**	**(122,350)**
Reclassification from assets held for sale	(13)	(23)	–	**(36)**
Depreciation charge	(3,366)	(16,351)	(2,137)	**(21,854)**
Disposals	791	7,556	–	**8,347**
Transfer to/from investment property	2,381	(2,664)	–	**(283)**
At 31 December 2021	**(30,324)**	**(98,755)**	**(7,097)**	**(136,176)**
Net book value				
At 31 December 2020	**86,050**	**61,641**	**3,743**	**151,434**
At 31 December 2021	**83,586**	**64,487**	**2,594**	**150,667**

As at 31 December 2022, the Group had fully depreciated furniture and fixtures that were still in use with a gross value of BYN 42,391 thousand (2021: BYN 42,263 thousand).

(thousands of Belarusian rubles)

13. Intangible assets

The movements in intangible assets were as follows:

	Computer software	*Other*	*Total*
Cost			
At 31 December 2021	**124,124**	**539**	**124,663**
Additions	20,912	17	**20,929**
Disposals	(17,541)	–	**(17,541)**
At 31 December 2022	**127,495**	**556**	**128,051**
Accumulated amortization			
At 31 December 2021	**(77,519)**	**(333)**	**(77,852)**
Amortization charge	(13,589)	(90)	**(13,679)**
Disposals	13,666	–	**13,666**
At 31 December 2022	**(77,442)**	**(423)**	**(77,865)**
Net book value			
At 31 December 2021	**46,605**	**206**	**46,811**
At 31 December 2022	**50,053**	**133**	**50,186**

	Software	*Other*	*Total*
Cost			
At 31 December 2020	**111,679**	**485**	**112,164**
Reclassification from assets held for sale	1,549	353	**1,902**
Additions	20,560	50	**20,610**
Disposals	(9,664)	(349)	**(10,013)**
At 31 December 2021	**124,124**	**539**	**124,663**
Accumulated amortization			
At 31 December 2020	**(72,072)**	**(237)**	**(72,309)**
Reclassification from assets held for sale	(839)	(56)	**(895)**
Amortization charge	(14,253)	(95)	**(14,348)**
Disposals	9,645	55	**9,700**
At 31 December 2021	**(77,519)**	**(333)**	**(77,852)**
Net book value			
At 31 December 2020	**39,607**	**248**	**39,855**
At 31 December 2021	**46,605**	**206**	**46,811**

14. Taxation

The corporate income tax expense comprises:

	2022	*2021*
Current tax expense	129,760	58,366
Deferred tax charge – origination and reversal of temporary differences	(6,363)	3,798
Including: deferred tax recognized in other comprehensive income	4,136	(2,608)
Income tax expense	**127,533**	**59,556**

14. Taxation (continued)

	2022	2021
Net gains/(losses) on debt instruments measured at FVOCI	(984)	(73)
Net (gains)/losses on equity instruments designated at the Group’s discretion as measured at FVOCI	30	–
Actuarial gain/(loss) on defined pension plan	(3,182)	2,681
Income tax recognized in other comprehensive income	**(4,136)**	**2,608**

Belarusian legal entities must file individual tax returns. In 2022 and 2021, the income tax rate for banks and insurance companies was 25%. In 2022 and 2021, the income tax rate for the Bank’s other subsidiaries in the Republic of Belarus was 18%. Starting 2023, the income tax rate for the Bank’s other subsidiaries in the Republic of Belarus will be 20%. In 2022 and 2021, the income tax rate for the foreign subsidiary in the Republic of Lithuania was 15%.

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

	2022	2021
Profit before tax	**490,051**	**243,879**
Statutory tax rate	25%	25%
Theoretical income tax expense at the statutory rate	**122,513**	**60,970**
Tax exemption for operations with securities	(1,470)	(3,593)
Tax exemption for expenses related to supporting agricultural enterprises	(1,755)	(986)
Effect of changes in legislation on accounting for lease operations	–	(2,511)
Other tax exemptions	(2,269)	(3,721)
Reversal of statutory revaluation of property and equipment	(5,425)	–
Income of subsidiaries taxed at different rates	765	(986)
Effect of change in income tax rate in 2023	(407)	–
Non-deductible expenses:		
- Salaries and related expenses	4,866	4,584
- Insurance	2,299	2,907
- Consulting, advertising and representative expenses	634	92
- Provisions	4,208	1
- Depreciation and amortization	158	177
- Maintenance and repairs	149	114
- Charity	108	534
- Disposal of property and equipment	70	20
- Taxes other than income tax	40	27
- Other	3,049	1,927
Income tax expense	**127,533**	**59,556**

(thousands of Belarusian rubles)

14. Taxation (continued)

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	1 January 2021	*In the statement of profit or loss*	*In other compre-hensive income*	*2021*	*In the statement of profit or loss*	*In other compre-hensive income*	*2022*
Tax effect of deductible temporary differences							
Property and equipment	4,030	103	–	4,133	6,440	–	10,573
Loans to customers	4,743	(2,320)	–	2,423	208	–	2,631
Other provisions	135	314	–	449	862	–	1,311
Other assets	2,150	(932)	–	1,218	351	–	1,569
Other liabilities	2,870	1,656	(2,681)	1,845	2,402	–	4,247
Amounts due to credit institutions	–	–	–	–	45	–	45
Deferred tax assets, gross	**13,928**	**(1,179)**	**(2,681)**	**10,068**	**10,308**	**–**	**20,376**
Deferred tax assets not recognized in the statement of financial position	(1,521)	1,521	–	–	–	–	–
Deferred tax asset offset against deferred tax liability	(8,345)	(1,220)	2,681	(6,884)	(9,589)	–	(16,473)
Total deferred tax assets	**4,062**	**(878)**	**–**	**3,184**	**719**	**–**	**3,903**
Tax effect of taxable temporary differences							
ECL allowance for loans and securities	(42,294)	(4,183)	–	(46,477)	5,743	–	(40,734)
Amounts due to credit institutions	(25)	3	–	(22)	22	–	–
Other provisions	(3,480)	3,478	–	(2)	(10,466)	–	(10,468)
Investment securities	(53)	(64)	73	(44)	(984)	954	(74)
Loans to customers	(99)	99	–	–	–	–	–
Investments in subsidiaries	(1,902)	–	–	(1,902)	–	–	(1,902)
Other assets	(70)	(313)	–	(383)	220	–	(163)
Other liabilities	(14)	(552)	–	(566)	(2,616)	3,182	–
Deferred tax liability	**(47,937)**	**(1,532)**	**73**	**(49,396)**	**(8,081)**	**4,136**	**(53,341)**
Deferred tax asset offset against deferred tax liability	8,345	1,220	(2,681)	6,884	9,589	–	16,473
Reclassification to assets held for sale	57	(57)	–	–	–	–	–
Total deferred tax liabilities	**(39,535)**	**(369)**	**(2,608)**	**(42,512)**	**1,508**	**4,136**	**(36,868)**
Deferred tax liabilities, net	**(35,473)**	**(1,247)**	**(2,608)**	**(39,328)**	**2,227**	**4,136**	**(32,965)**

15. Credit loss expense and other expenses from provisions

The table below shows allowances for ECL on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2022.

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	21	–	–	–	**21**
Amounts due from credit institutions	8	(1,598)	–	–	–	**(1,598)**
Loans to customers	9	(283)	19,955	(22,584)	–	**(2,912)**
Debt securities measured at amortized cost	10	(2,101)	(14,691)	–	–	**(16,792)**
Debt securities at FVOCI	10	(27)	–	–	–	**(27)**
Credit-related commitments	22	(381)	12,463	(274)	–	**11,808**
Total (allowance)/reversal of allowance for credit losses		**(4,369)**	**17,727**	**(22,858)**	**–**	**(9,500)**

The table below shows allowances for ECL on financial instruments recorded in the consolidated statement of profit or loss for the year ended 31 December 2021.

	Notes	*Stage 1*	*Stage 2*	*Stage 3*	*POCI*	*Total*
Cash and cash equivalents	6	(40)	–	–	–	**(40)**
Amounts due from credit institutions	8	1,297	–	–	–	**1,297**
Loans to customers	9	12,514	(22,033)	(13,290)	(95)	**(22,904)**
Debt securities measured at amortized cost	10	10,714	(5,538)	–	–	**5,176**
Credit-related commitments	22	2,879	(11,165)	85	–	**(8,201)**
Total (allowance)/reversal of allowance for credit losses		**27,364**	**(38,736)**	**(13,205)**	**(95)**	**(24,672)**

In 2022, the Group received BYN 3,709 thousand that were written off earlier as bad debt (2021: BYN 3,341 thousand). This amount relates to loans to corporate customers in the amount of BYN 682 thousand (2021: BYN 534 thousand) and loans to individuals in the amount of BYN 3,027 thousand (2021: BYN 2,807 thousand) and is recognized directly in allowance for credit losses of the consolidated statement of profit or loss.

Expenses from other provisions are presented as follows:

	Other provisions
At 1 January 2021	**5,024**
Reversal	(4,962)
Write-off	(62)
At 31 December 2021	**–**
Charge	2,737
Write-off	(1,918)
At 31 December 2022	**819**

Other provisions represent a provision for future expenses to demolish a building.

(thousands of Belarusian rubles)

16. Other assets and liabilities

Other assets comprise:

	2022	*2021*
Other financial assets		
Derivative financial assets	656	5,145
Accrued fines and fees and commissions receivable	2,195	2,022
	2,851	**7,167**
Other non-financial assets		
Prepayments	19,126	24,862
Insurance payments of a subsidiary	3,198	4,313
Assets to be transferred under finance lease agreements	2,306	2,102
VAT and other prepaid taxes other than income tax	1,757	3,735
Property received as a repayment of loans	1,618	1,222
Assets held for sale	–	273
Other non-financial assets	22,011	16,314
	50,016	**52,821**
Total other assets	**52,867**	**59,988**

Other liabilities comprise:

	2022	*2021*
Other financial liabilities		
Life insurance liabilities payable by a subsidiary	112,127	121,710
Defined benefit plan: pension liabilities (Note 27)	45,454	30,321
Pension liabilities payable by a subsidiary to third parties	44,847	47,077
Salaries and bonuses payable	17,751	16,715
Trade and other payables	3,254	3,119
Lease liability	1,334	2,527
Dividend liabilities	503	1,618
Derivative financial liabilities	346	1,877
Other financial liabilities	17,007	18,134
	242,623	**243,098**
Other non-financial liabilities		
Tax liabilities (taxes other than income tax)	5,968	3,316
Other non-financial liabilities	2,875	3,044
	8,843	**6,360**
Total other liabilities	**251,466**	**249,458**

In 2022, the Group recognized unpaid dividend liabilities of BYN 987 thousand related to 2016-2018 performance in other income.

Movements in life insurance liabilities payable by a subsidiary and pension liabilities payable by a subsidiary to third parties are shown below.

	2022	*2021*
Liabilities at 1 January	**168,787**	**–**
Change in provision	62,800	77,660
Payment from provision	(83,003)	(42,248)
Foreign exchange differences	8,390	(3,064)
Reclassification from liabilities of disposal groups held for sale	–	136,439
Liabilities at 31 December	**156,974**	**168,787**

(thousands of Belarusian rubles)

16. Other assets and liabilities (continued)

Insurance liability adequacy test

The subsidiary's insurance liabilities are subject for annual adequacy testing by estimating future cash flows from insurance contracts and comparing these estimates of forecast cash flows with the carrying amounts of the liabilities. Based on the results of 2022, the effect of an increase in liabilities under insurance contracts (change in provision), as well as the effect of insurance payments made at the expense of the provision (payment from provision) on the Group's profit is presented in the table above.

Sensitivity analysis

The sensitivity analysis of insurance liabilities in respect of third parties was carried out in terms of three parameters: the discount rate, the mortality rate and the probability of termination of contracts.

	Change in %	*Effect on liabilities*
Discount rate	+10.00	(3,958)
Discount rate	-10.00	4,232
Termination rate	+10.00	649
Termination rate	-10.00	(661)
Mortality rate	+10.00	266
Mortality rate	-10.00	(269)

17. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2022	*2021*
Current accounts	100,846	85,209
Time deposits and loans	198,478	154,325
Amounts due to credit institutions	**299,324**	**239,534**

As at 31 December 2022, time deposits and loans included amounts payable to the bank from RBI Group comprising BYN 58,619 thousand (2021: BYN 96,090 thousand).

18. Amounts due to customers

Amounts due to customers comprise:

	2022	*2021*
Time deposits	447,676	812,560
Current accounts	5,308,626	3,353,013
Advances received from lessees	4,228	7,011
Amounts due to customers	**5,760,530**	**4,172,584**
Held as collateral against letters of credit	23,545	5,637
Held as collateral against guarantees	9,188	4,104

As at 31 December 2022, amounts due to customers of BYN 338,963 thousand, or 6% of the total amounts due to customers, were due to the five largest third-party customers (2021: BYN 264,312 thousand, or 6%).

Included in time deposits are deposits of individuals of BYN 163,200 thousand (31 December 2021: BYN 315,254 thousand).

(thousands of Belarusian rubles)

18. Amounts due to customers (continued)

In accordance with the laws of the Republic of Belarus, time and conditional deposit agreements are classified as follows:

- Irrevocable agreements – agreements that do not provide for repayment of the deposit prior to maturity or circumstances (event) or absence of circumstances (event) determined in the agreement;
- Revocable agreements – agreements that provide for repayment of the deposit prior to maturity or circumstances (event) or absence of circumstances (event) determined in the agreement upon demand of a depositor.

The depositor has right to claim the repayment of the deposit under the time revocable or conditional revocable deposit agreement prior to its maturity or prior to circumstances (event) or absence of circumstances (event) determined in the agreement. The Bank must repay the deposit within the timeframe and in accordance with the procedure stipulated by the time revocable or conditional revocable deposit agreement. The depositor has no right to claim early repayment of deposit under the time irrevocable and conditional irrevocable deposit agreements. Deposits under such agreements can be early repaid only with the Bank's consent.

As at 31 December 2022, irrevocable deposits of individuals amounted to BYN 88,757 thousand, or 54% of the time deposits of individuals (31 December 2021: BYN 172,164 thousand, or 55%).

Amounts due to customers include accounts of the following types of customers:

	2022	*2021*
Private companies	3,699,463	2,414,513
Individuals	2,031,548	1,738,353
State companies and budgetary organizations	29,519	19,718
Amounts due to customers	**5,760,530**	**4,172,584**

An analysis of customer accounts by economic sector is as follows:

	2022	*2021*
Individuals	2,031,548	1,738,353
Manufacturing:	1,087,995	701,546
Food, beverages, tobacco products	192,716	68,821
Chemicals, rubber, plastics	151,069	79,674
Wood processing	134,081	115,333
Machinery, equipment	125,488	116,265
Electric equipment	95,853	76,730
Textile industry	50,009	17,786
Transport facilities	34,427	21,648
Pharmaceutical industry	24,827	37,870
Base metals production	19,312	9,775
Coking coal, oil products	15,639	16,082
Pulp and paper industry	15,350	3,972
Other manufacturing	229,224	137,590
Wholesale trade	874,944	496,184
Information and communications	500,467	425,775
Transport	271,879	113,240
Professional, research and technical activities	208,228	126,029
Retail trade	190,428	50,633
Construction	126,281	154,003
Real estate	75,523	113,531
Other	393,237	253,290
Amounts due to customers	**5,760,530**	**4,172,584**

(thousands of Belarusian rubles)

19. Amounts due to international credit institutions

Amounts due to international credit institutions consist of the following:

	2022	*2021*
Amounts due to the European Bank for Reconstruction and Development (EBRD)	37,455	122,977
Amounts due to the European Investment Bank (EIB)	25,984	28,726
Amounts due to the International Finance Corporation (IFC)	–	154,789
Amounts due to international financial institutions	**63,439**	**306,492**

As at 31 December 2022 and 2021, the Group met all the financial covenants under loan agreements concluded with international credit institutions.

20. Debt securities issued

As at 31 December 2022 and 2021, debt securities issued comprised BYN-denominated non-documentary bonds, maturing in 2027-2028. The bonds bear a floating interest rate linked to the NBRB refinancing rate.

21. Equity

The information on shares authorized, fully paid and outstanding is as follows:

	Number of shares		*Par value*		*Inflation*	
	Preferred	*Ordinary*	*Preferred*	*Ordinary*	*adjustment*	*Total*
31 December 2021 and 2022	10,000	123,058,441	7	86,141	255,680	**341,828**

The par value of ordinary and preferred shares is BYN 0.70 per share. All authorized shares have been issued and fully paid.

Each ordinary share of the Bank is entitled to one vote at the general meeting. Ordinary shareholders are entitled to dividends and, in case of liquidation of the Bank, to a share of property remaining after settlements with creditors or its cost. Preferred shares are non-voting, but guarantee a share of profit in the form of fixed dividends. The amount of fixed dividends for each preferred share is established by the Bank's Charter. In the event of the Bank's liquidation, preferred shareholders are entitled to a fixed value of property remaining after settling with creditors at an amount not less than par value of shares.

According to the Belarusian legislation, only accumulated retained earnings and unreserved profit can be distributed as dividends to the Group's shareholders based on the financial statements prepared in accordance with Belarusian accounting and reporting legislation. As at 31 December 2022, the Bank's non-distributable reserves totaled BYN 259,637 thousand (2021: BYN 249,588 thousand). As at 31 December 2022, the Bank's share in the non-distributable reserves of its subsidiaries totaled BYN 12,401 thousand (2021: BYN 3,137 thousand).

During the participants' meeting held in April 2022, the Group distributed the profit of Raiffeisen-Leasing Litauen UAB, a Lithuanian subsidiary, for 2011-2021, with BYN 2,043 thousand attributable to Raiffeisen Leasing International GmbH. The distributed profit was paid.

At the shareholders' meeting in November 2021, the Bank declared dividends based on the interim financial statements for the first half of 2021 in the amount of BYN 0.40 and BYN 0.35 per ordinary share and preferred share, respectively. The dividends were paid.

(thousands of Belarusian rubles)

21. Equity (continued)

Movements in other capital items

Movements in other capital items were as follows:

	Foreign currency translation reserve	*Revaluation reserve for investment securities*	*Revaluation reserve for the net pension liability*	*Total*
At 1 January 2021	**6,893**	**143**	**(7,545)**	**(509)**
Exchange differences on translation of the financial statements of a foreign subsidiary	(1,390)	–	–	**(1,390)**
Revaluation of defined pension plans	–	–	10,762	**10,762**
Net change in the fair value of debt instruments at FVOCI	–	(290)	–	**(290)**
Net change in the fair value of equity instruments at FVOCI	–	(40)	–	**(40)**
Tax effect of net gains on debt and equity instruments at FVOCI and revaluation of defined pension plans	–	83	(2,691)	**(2,608)**
At 31 December 2021	**5,503**	**(104)**	**526**	**5,925**
Exchange differences on translation of the financial statements of a foreign subsidiary	(1,273)	–	–	**(1,273)**
Revaluation of defined pension plans	–	–	(12,728)	**(12,728)**
Net change in the fair value of debt instruments at FVOCI	–	(3,937)	–	**(3,937)**
Net change in the fair value of equity instruments at FVOCI	–	121	–	**121**
Tax effect of net gains on debt and equity instruments at FVOCI and revaluation of defined pension plans	–	954	3,182	**4,136**
At 31 December 2022	**4,230**	**(2,966)**	**(9,020)**	**(7,756)**

Foreign currency translation reserve

This reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Revaluation reserve for investment securities

This reserve is used to record changes in the fair value of financial assets at FVOCI.

Revaluation reserve for the net pension liability

This reserve is used to record changes in actuarial calculations for the reporting period.

22. Commitments and contingencies

Operating environment

In 2022, GDP of Belarus fell by 4.7% year on year and amounted to BYN 191.4 billion in current prices.

The foreign trade balance for services in 2022 was positive (USD 4,141 billion compared to the positive balance of USD 4,637 billion in 2021).

The Belarusian ruble depreciated against major foreign currencies in 2022. The official exchange rates changed from BYN 2.5481 for USD 1 to BYN 2.7364 for USD 1, from BYN 2.8826 for EUR 1 to BYN 2.9156 for EUR 1; from BYN 3.4322 for RUB 100 to BYN 3.7835 for RUB 100; from BYN 3.9978 for CNY 10 to BYN 3.8617 for CNY 10 year-on-year.

In the first half of 2022, the country witnessed an increased volatility in the currency market, deposit outflow and acceleration of inflation processes. In March 2022, the refinancing rate of the National Bank of the Republic of Belarus was increased from 9.25% to 12% p.a. to ensure the macroeconomic balance and stabilize domestic foreign currency and deposit markets.

In 2022, the inflation rate was 12.8%, with the target level of up to 6%. The price growth was caused by external factors (loose monetary policy of a number of leading countries, increase in logistic costs, growth in global prices for food products, surge in consumer demand in contrast to the insufficient supply) and internal factors (removal of VAT exemptions for certain groups of imported goods, rise in fuel cost amidst growing oil prices, expectations with respect to inflation and devaluation).

The average broad money supply for December 2022 increased by 8.6% as compared to December 2021, with a target growth rate of 7-13%.

In 2022, international rating agencies downgraded the sovereign ratings of the Republic of Belarus (S&P − to SD, Fitch − to RD, Moody’s − to Ca). At the same time, ratings assigned by Russian rating agencies became more widely used in the Republic of Belarus to avoid the geopolitical influence. According to the ACRA rating agency, the long-term foreign currency credit rating of the Government of the Republic of Belarus was set at B+ (with a developing outlook).

The Bank continues to assess the effect of these circumstances and changes of micro- and macroeconomic conditions on its activities, financial position and financial results.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability arising from such actions or complaints will not have a material adverse effect on the financial position or the results of future operations of the Group. As at 31 December 2022 and 31 December 2021, there were neither significant claims, nor litigations against the Group.

The Group uses the same credit control and risk management policies in undertaking credit-related commitments as it does for operations recorded in the consolidated statement of financial position.

Belarusian tax, currency and customs legislation is subject to varying interpretations and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities.

As at 31 December 2022, management believes that its interpretation of the relevant legislation is appropriate and that the Group’s tax, currency and customs positions will be sustained.

(thousands of Belarusian rubles)

22. Commitments and contingencies (continued)

Operating environment (continued)

Taxation

Belarusian legislation and regulations governing taxes and other operational matters, including currency control and customs regulations, continue to evolve. Legislation and regulations are subject to varying interpretations by local, regional and national authorities, and other governmental bodies. Instances of inconsistent interpretations are usual. At the same time, there is a risk that transactions and interpretations that have not been challenged in the past may be challenged by the authorities in the future. Fiscal periods remain open to review for a period of five calendar years immediately preceding the year of review, and the expired period of the current calendar year. Under certain circumstances, reviews may cover longer periods. As a result, additional taxes, penalties and interest may be assessed by the supervisory authorities.

It is not practical to determine the amount of unasserted claims that may arise from any unfavorable circumstances, if any.

Taxes are accrued and settled in accordance with the tax legislation of the Republic of Belarus. As at 31 December 2022, the Group's management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Financial commitments and contingencies

As at 31 December 2022 and 2021, the Group's financial commitments and contingencies comprised the following:

	2022	***2021***
Credit-related commitments		
Undrawn loan commitments	928,078	1,052,660
Letters of credit	27,008	76,232
Financial guarantees	143,697	154,315
Commitments and contingencies	**1,098,783**	**1,283,207**
Provision for ECL on credit-related commitments	(3,996)	(14,721)
Other provisions	(819)	–
Deposits held as collateral against letters of credit and guarantees (Note 18)	(32,733)	(9,741)

The movements in provision for ECL for the year ended 31 December 2022 were as follows:

Credit-related commitments	***Stage 1***	***Stage 2***	***Stage 3***	***Total***
Provision for ECL at 1 January 2022	**2,116**	**12,194**	**411**	**14,721**
New commitments	11,141	–	–	**11,141**
Amounts paid	(2,275)	(15,617)	(36)	**(17,928)**
Expired commitments	(165)	(6,065)	–	**(6,230)**
Transfers to Stage 1	207	(188)	(19)	**–**
Transfers to Stage 2	(8,393)	8,393	–	**–**
Transfers to Stage 3	(5)	–	5	**–**
Effect on period-end ECL due to transfers between stages during the period	(129)	1,014	324	**1,209**
Foreign exchange differences	(25)	1,108	–	**1,083**
At 31 December 2022	**2,472**	**839**	**685**	**3,996**

22. Commitments and contingencies (continued)

Operating environment (continued)

The movements in provision for ECL for the year ended 31 December 2021 were as follows:

Credit-related commitments	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Provision for ECL at 1 January 2021	**5,144**	**1,331**	**497**	**6,972**
New commitments	13,036	–	–	**13,036**
Amounts paid	(4,963)	(1,358)	(105)	**(6,426)**
Expired commitments	(105)	(1,471)	–	**(1,576)**
Transfers to Stage 1	420	(284)	(136)	**–**
Transfers to Stage 2	(10,949)	10,949	–	**–**
Transfers to Stage 3	(2)	(9)	11	**–**
Effect on period-end ECL due to transfers between stages during the period	(316)	3,338	145	**3,167**
Foreign exchange differences	(149)	(302)	(1)	**(452)**
At 31 December 2021	**2,116**	**12,194**	**411**	**14,721**

23. Net interest income

Net interest income comprises:

	2022	*2021*
Financial assets at amortized cost	**369,386**	**325,781**
Cash equivalents	7,478	2,375
Amounts due from credit institutions	4,077	3,009
Loans to customers	336,501	306,993
Investment securities	21,330	13,404
Financial assets at FVOCI	**4,948**	**47**
Investment securities	4,948	47
Interest income calculated using the effective interest rate	**374,334**	**325,828**
Trading securities	1,759	2,262
Finance lease	31,003	33,762
Other interest income	**32,762**	**36,024**
Total interest income	**407,096**	**361,852**
Amounts due to NBRB	(167)	(165)
Amounts due to customers	(40,484)	(68,937)
Amounts due to credit institutions	(7,395)	(6,289)
Debt securities issued	(409)	(1,707)
Amounts due to international financial institutions	(19,428)	(25,956)
Interest expense	**(67,883)**	**(103,054)**
Net interest income	**339,213**	**258,798**

(thousands of Belarusian rubles)

24. Net fee and commission income

Net fee and commission income comprises:

	2022	***2021***
Settlement operations	323,409	236,910
Guarantees and letters of credit	4,484	6,821
Other	2,220	3,122
Fee and commission income	**330,113**	**246,853**
Settlement operations	(158,989)	(120,408)
Agency services	(8,967)	(3,583)
Guarantees	(3,009)	(4,213)
Currency conversion operations	(833)	(315)
Operations with securities	(217)	(189)
Other	(4,996)	(7,020)
Fee and commission expense	**(177,011)**	**(135,728)**
Net fee and commission income	**153,102**	**111,125**

25. Other income

Other income comprises:

	2022	***2021***
Income from insurance operations	61,334	67,917
Net income from agriculture activity	15,159	11,720
Income from operating lease	1,925	2,709
Income from dividends	356	222
Income from sale of property and equipment and investment property	31	15
Income from sale of subsidiary	–	2,447
Other	2,220	1,082
Total other income	**81,025**	**86,112**

Net income from agriculture services comprises:

	2022	***2021***
Revenue	24,111	16,139
Other expenses	(8,952)	(4,419)
Total income from agriculture services	**15,159**	**11,720**

(thousands of Belarusian rubles)

26. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2022	*2021*
Salaries and bonuses	80,341	70,530
Social security costs	31,154	27,863
Retirement benefits (Note 27)	4,778	6,231
Other employment taxes	1,341	946
Personnel expenses	**117,614**	**105,570**
Insurance expenses	64,256	69,077
Software expenses	15,530	17,017
Occupancy and rent	9,042	8,587
Marketing and advertising	8,095	4,717
Deposit insurance fees	7,670	11,646
Legal and consultancy	6,128	7,351
Charity	4,917	2,007
Loss on disposal of property and equipment and intangible assets	4,879	1,211
Plastic cards operations	4,589	4,530
Taxes other than income tax	3,428	3,238
Communications	2,442	2,166
Office supplies	1,338	1,390
Transportation expenses	1,336	1,214
Repair and maintenance of equipment	1,210	1,262
Representation expenses	943	1,072
Business travel and related expense	794	278
Personnel training	749	491
Inventory sale costs	472	396
Security	416	308
Other	5,281	8,093
Other operating expenses	**143,515**	**146,051**

27. Post-employment benefits

Defined benefit plan

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee is entitled to receive on retirement, dependent on one or more factors such as age, years of service and salary.

Liability according to a defined benefit plan is assessed on actuarial basis using projected unit credit method. The defined benefit obligation is discounted using rates equivalent to the market yields at the statement of financial position date of high-quality government bonds.

Net benefit expense (recognized within personnel expenses)

	2022	*2021*
Current service cost	2,067	2,571
Interest cost on benefit obligation	2,660	3,660
Past service cost	51	–
Net benefit expense (Note 26)	**4,778**	**6,231**

Retirement benefit liability

	2022	*2021*
Retirement benefit liability (Note 16)	(45,454)	(30,321)

(thousands of Belarusian rubles)

27. Post-employment benefits (continued)

Retirement benefit liability (continued)

Changes in value of the defined benefit obligation:

	2022	*2021*
Opening defined benefit plan obligation	**30,321**	**37,677**
Current service cost	2,067	2,571
Interest expense	2,660	3,660
Increase in obligations due to changes in pension plan terms	51	–
Actuarial gains arising from changes in demographic assumptions	37	(33)
Actuarial gains/losses arising from changes in finance assumptions	9,503	(9,893)
Experience adjustments	3,188	(836)
Benefits paid	(2,373)	(2,825)
Closing defined benefit obligation	**45,454**	**30,321**

Changes in plan obligations

	2022	*2021*
Opening plan obligation	**(30,321)**	**(37,677)**
Net benefit expense	(4,778)	(6,231)
Revaluation of defined benefit plans recognized in other comprehensive income	(12,728)	10,762
Benefits paid	2,373	2,825
Closing plan obligation	**(45,454)**	**(30,321)**

The principal assumptions used in determining pension obligations for the Bank’s plan are shown below.

	2022	*2021*
Discount rate	6.52%	9.30%
Future inflation rate	6.13%	5.00%

In 2021 and 2022, all settlements (excluding settlements on periodic lifelong benefits to retired personnel) were made in euro using the basic amounts denominated in euro and the respective parameters (discount rate, salary growth rate, yield on accounts) related to the amounts denominated in euro.

The average term of defined benefit plan obligations at the end of the reporting period was 10.1 years (2021: 8.2 years).

The best estimate of the amounts of the employer’s contributions to be paid in the annual period, after the estimation date amounted to BYN 2,103 thousand (2021: BYN 1,618 thousand).

Sensitivity analysis

	Changes in assumptions	*Effect on the benefit obligation for 2022*	*Effect on the benefit obligation for 2021*
Discount rate	+/-1 pp	4,239	2,255
Future inflation rate	+/-1 pp	1,225	684
Decrements (withdrawal) possibility: dismissal, retirement, mortality	+/-0.5 pp	70	14

28. Risk management

Introduction

The Group has an effective risk management system developed according to the Belarusian legislation, international requirements and standards that incorporates managing credit, market, operating and liquidity risks.

Key elements of the Group's risk management system are organizational structure, combination of authority and responsibility of officials, risk management methods and procedures that define processes of identification and assessment of material types of risks, their monitoring, limiting and control.

The effective organizational structure of risk management system complies with the organizational and functional structure, nature and scope of the Group's activity, excludes conflict of interest and segregates risk management duties between the following collegial bodies and business units:

- The *Supervisory Board* is responsible for the development of the risk management system and elimination of any conflicts of interests and their preconditions in the risk management process. The Supervisory Board determines key directions for development and effective functioning of the risk management system, approves the Group's strategic development plan, capital and risk management strategy and controls their implementation.
- *Audit Committee* is responsible for overall management and effective functioning of internal control system and internal audit function of the Group.
- *Internal Audit*: the risk management processes throughout the Group are audited annually by the Audit Function that examines both the adequacy of the procedures and the Group's compliance with the procedures. The findings and recommendations of assessments are reported to the Audit Committee.
- *The Bank's Management Board* determines goals and objectives of risk management and arranges thereunder an effective risk management system, including through optimal segregation and delegation of duties in the course of risk management process, controlling compliance with the limits and authority of the Group's officials, taking measures to mitigate (reduce) risks.
- *Risk Committee, Credit Committee, Financial Committee, and Problem Loans Committee* have the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. They are responsible for the fundamental risk management issues and manage and control implementation of risk-related decisions.
- *The risk management units* are responsible for implementing and maintaining risk related procedures to ensure an independent control process of the positions exposed to risk as compared to the established limits as well as evaluating risks of new products and deals. They are also responsible for the collection of ultimate information in the risk assessment system and risk reporting.
- *The Bank Treasury* is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the liquidity and funding risks of the Bank.

Risk measurement and reporting systems

Monitoring and control of all material risks are performed based on both quantitative and qualitative methods. Major focus is put on risk concentration arising from uneven allocation of debt. Risk concentration is managed through established limits. The Group assesses risks at the stage of preliminary and subsequent control and determines authorities responsible for risk management. The Group develops and regularly revises local regulations that cover risk assessment and management.

(thousands of Belarusian rubles)

28. Risk management (continued)

Introduction (continued)

Credit risk is managed by the Group's risk management unit separately from each customer segment by developing credit policies together with business units, developing standardized credit products, performing independent financial analysis of enterprises and market analysis for corporate customers, independent assessment of risks for each individual customer limit, establishing requirements for the amount and structure of respective collateral, controlling compliance with the limits and established terms of financing. In order to ensure high quality of the credit portfolio, the Group constantly improves its system for early identification of problem customers, further develops the policy for prevention of misconduct related to loan transactions with major focus on prevention and identification of misconduct, regularly analyzes its exposure to credit risk by stress-testing credit risk level.

Interest rate risk management and control is based on various methods of sensitivity analysis, stress-testing and assessment of the effect of changes in interest rates on the Group's income. The Group also controls currency risk through limiting positions according to local and international standards, performs monitoring for the purpose of assessment of the effect of crisis event on the currency market on the Group's activity through stress-testing.

The Group manages assets and liabilities based on key principles of liquidity management, measures, monitors and controls financial flows on a daily basis. In order to measure its actual requirement in liquid funds, the Group monitors liquidity using the gap analysis, liquidity ratio method and stress-testing. As part of improvement of the risk management system, the Group introduced the process for monitoring and managing new liquidity ratios suggested in Basel III.

For the purpose of quality and effective operating risk management, the Group identifies and registers operating incidents, constantly monitors key operating risk indicators, annually assesses operating risk and performs scenario analysis. The Group constantly improves corporate culture for understanding the operating risk and methods to prevent operating losses.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify risks early. This information is presented and explained to the Supervisory Board. The report includes aggregate outstanding loans, credit metric forecasts, hold limit deviations, liquidity ratios and risk profile changes. The Problem Loans Committee assesses the appropriateness of the allowance for credit losses on a monthly basis. The Risk Committee and the Executive Committee receive a comprehensive risk report which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

As requested by all relevant subdivision throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

Regular meetings are held with Risk Committee, Credit Committee, Financial Committee and Problem Loans Committee concerning the conformity to the established limits, investments, liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to, manage exposures resulting from changes in interest rates, foreign currencies, changes in credit risk, and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks (see below for more details).

(thousands of Belarusian rubles)

28. Risk management (continued)

Introduction (continued)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographic region.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to meet their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and industry concentrations, and by monitoring exposures in relation to such limits through regular analysis of the borrowers' financial standing and ability to meet repayment obligations. Limits on the level of credit risk by borrower are approved by the Credit Committee, authorized organizations/entities within the scope of assigned responsibilities.

Where appropriate and in the case of most loans, the Group obtains collateral. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revisions. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit-related commitments risks

The Group makes available to its customers letters of credit/guarantees which may require that the Group make payments on their behalf. Such payments are collected from customers based on the terms of the letter of credit/guarantee. They expose the Group to similar risks to loans and these are mitigated by the same control processes and policies.

The maximum exposure to credit risk for the components of the consolidated statement of financial position, including derivatives, before the effect of mitigation through the use of master netting and collateral agreements, is best represented by their carrying amounts.

If the financial instruments are recorded at fair value, the carrying amount represents the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

More details on the maximum exposure to credit risk for each class of financial instruments are disclosed in the respective notes. The effect of collateral and other risk mitigation techniques are described in Note 9.

(thousands of Belarusian rubles)

28. Risk management (continued)

Credit risk (continued)

Impairment assessment

The Group calculates ECL on the basis of several probability-weighted scenarios to assess expected cash shortfalls, which are discounted using the EIR or its approximate value. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. The mechanics of ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD) — *Probability of default* is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the asset has not been previously derecognized and is still in the portfolio.

Exposure at default (EAD) — Exposure at default is an estimate of the exposure at default at a certain future date, adjusted to reflect its changes expected after the reporting date, including payments of interest or principal amount due under a contract or otherwise, expected repayment of loans issued and interest accrued on overdue payments. For the off-balance sheet items (guarantees issued, letters of credit, undrawn credit lines), the total amount of risk equals the amount of risk prior to the application of the credit conversion factor (CCF). The credit conversion factor represents the share of the current unused amount that will be used during the default period (applicable to off-balance sheet items).

Loss given default (LGD) — *Loss given default* is an estimate of the loss arising in case a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realization of any collateral. It is usually expressed as a percentage of the EAD.

The estimated provision for ECL is calculated based on credit losses that are expected during the asset lifetime (the lifetime expected credit losses or lifetime ECL), if there has been a significant increase in credit risk since the initial recognition, otherwise the estimated provision is calculated in the amount equal to 12-month expected credit losses (12-month ECL). 12-month ECL are part of lifetime ECL and represent ECL arising from defaults on a financial instrument possible to occur within 12 months after the reporting date. Both lifetime and 12-month ECL are calculated on either an individual basis or a collective basis, depending on the nature of the underlying basic portfolio of financial instruments.

The Group approved the policy concerning a significant increase in credit risk associated with a financial instrument since its initial recognition by analyzing the changes in the risk of default occurring over the remaining life of the financial instrument. Under this policy, the Group classifies loans into three categories and purchased or originated credit impaired assets.

Stage 1: Includes financial instruments, for which there has been no indication of a significant increase in credit risk since initial recognition. 12-month ECL are recognized for such assets, with interest income being calculated based on the assets' gross carrying amount.

Stage 2: Includes financial instruments, for which there has been an indication of a significant increase in credit risk since initial recognition, and no objective evidence of impairment exists. Lifetime ECL are recognized for such assets, with interest income still being calculated based on the assets' gross carrying amount.

Stage 3: Includes financial assets with identified objective evidence of impairment at the reporting date. Lifetime ECL are recognized for such assets, with interest income being calculated based on the assets' book value taking into account the effect of discounting of expected cash flows on loans.

POCI assets: Purchased or originated credit impaired (POCI) assets are financial assets that are credit impaired at initial recognition. POCI assets are recorded at fair value at initial recognition, with interest income being subsequently recognized based on the credit-adjusted effective interest rate. An ECL allowance is recognized or reversed only to the extent that there is a subsequent change in expected credit losses.

28. Risk management (continued)

Credit risk (continued)

Default determining process

Default is recognized, if any of the following events occurs:

1) It is unlikely that the borrower repays its loan to the Group from main sources, or
2) Amounts payable to the Group under any material obligation related to loan are overdue by more than 90 days.

Internal rating and PD estimation process

To assess the credit risk in practical terms, the Group applies the approach based on internal ratings, i.e., ratings that are calculated by the group itself. Based on the asset class, various risk classification procedures (rating and scoring models) are used.

The Group uses the following rating models to assess the credit risk associated with non-retail assets:

1) *Corporate* is applied to corporate counterparties.
2) *Small and medium business* is applied to small and medium-sized business entities.
3) *Financial institutions* is applied to all types of financial institutions, other than insurance companies.
4) *Sovereign state organizations* is applied to central governments and organizations related to the non-commercial public sector of countries.
5) *Local and regional authorities* is applied to government bodies (at the regional level) and local government bodies, as well as related non-profit organizations of the public sector.

All rating models of non-retail assets are developed by the parent bank. These models are centralized and used by the whole Group. The Group calculates ratings with the use of specialized software. The Group's head office assigns ratings under models applicable to corporate customers, small-sized business entities, local and regional authorities.

Rating instruments are constantly analyzed and revised, where necessary. The Group regularly verifies rating models used and assesses their project capacity.

The process of assigning ratings to the Group's customers/counterparties under Financial Institutions, Sovereign State Organizations models is centralized and performed by the parent bank's analysts. Local credit analysts are also directly involved in the analysis of local customers and their rating assessment by preparing analytical tables and analytical reports to assign ratings. The parent bank's analysts review the prepared local analysis, then perform the scoring and assign the rating.

The process of assigning ratings to sovereign state organizations is passed to the respective parent bank's divisions. The bank's local analysts assign ratings to customers under Local and Regional Authorities model.

Estimates with respect to retail customers are applied automatically in the electronic system for processing applications.

Rating model for corporate customers and financial institutions divides the creditworthiness into 10 classes (9 non-default class and 1 default class), and each class (except for the default one) has three additional categories, A, B and C (25 non-default categories and 1 default category in total). Small and Medium Business rating model comprises seven main classes, three of which have three additional categories each. The professional judgment applicable to any counterparty is based on the analysis of financial data and on the expert examination performed by the credit analysts. Under some rating models the counterparties are assessed by comparison with available data from external sources as well as with the use of behavior description of the customer. The rating scale for retail assets is based on the scoring model.

(thousands of Belarusian rubles)

28. Risk management (continued)

Credit risk (continued)

The Group uses the following levels of internal credit rating:

Internal grade	*Retail customers (PD)*	*Corporate customers, SME customers and financial institutions*	*Sovereign state organizations, local and regional authorities*
High	–	1A-3C	A1-B3
Standard	<8.00%	4A-7C	B4-B5
Sub-standard	<100%	8A-9C	C
Impaired	100%	10	D

Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the customer's ability to increase its exposure while approaching default and potential early repayments too. To calculate the EAD for a Stage 1 loans, the Group assesses the possible default events within 12 months for the calculation of the 12 month-ECL. For Stage 2, Stage 3 and POCI financial assets, the EAD is considered for events over the lifetime of the instruments.

The Group determines the EAD by modeling the range of possible outcomes in case of default at various moments of time that corresponds to multiple scenarios. Then, depending on the Group's model results, each economic scenario is assigned PD under IFRS 9.

The Group offers its corporate and retail customers various overdrafts and credit cards, which can be withdrawn by the Group and/or the Group may reduce the limits upon one day notice. The Group does not limit the exposure to risk of credit losses by the contractual term to file the notification and instead calculates the ECL for the period that represents the Group's expectations with respect to the customer's behavior, probability of default and future measures to reduce the credit risk taken by the Group, which can provide for reducing or terminating loan facilities. The interest rate used to discount ECL on credit cards is based on the average effective interest rate, which is expected to be applied during the period of exposure to risk. This assessment takes into consideration that many loans are repaid in full every month and, therefore, are interest-free.

Loss given default

In the event of corporate lending, LGD is assessed at least once in three months by client managers, revised and approved by the Group's credit risk department.

The credit risk assessment is based on a standardized LGD assessment framework that results in a certain LGD rate. These LGD rates include the expected EAD as compared to the amounts expected to be recovered or realized as a result of the sale of collateral held.

The Group classifies its retail loans into homogeneous groups based on key characteristics relevant for the assessment of future cash flows. For this purpose, historical loss data is used and a wide range of characteristics attributable to transactions (e.g., type of product, type of collateral) and the borrower's characteristics are considered.

Where required, new data and forward-looking economic scenarios are used to determine the LGD level under IFRS 9 for each group of financial instruments. When assessing the forward-looking information, the expected results are based on multiple scenarios. Major inputs include, for example, changes in the value of collateral, including housing prices in case of mortgage lending, prices for goods, payment status or other indicators of loss on the group of instruments.

The LGD levels are assessed for all Stage 1, 2, and 3 and POCI assets. Inputs for such LGD levels are assessed and, where possible, are adjusted by testing based on historical data with regard to the latest recoveries. This is repeated for each economic scenario as appropriate.

28. Risk management (continued)

Credit risk (continued)

Significant increase in credit risk

The Group performs an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition. Moreover, the assessment is performed on the basis of qualitative and quantitative information:

- ► Quantitative assessment is performed on the basis of the change in the risk of default occurring over the expected life of the financial instrument, for example, the instrument is transferred from 12-month expected credit losses to the lifetime expected credit losses – not impaired, if the estimated probability of default increases more than by 250%.
- ► Qualitative assessment – the number of factors is important for the assessment of the significant increase in credit risk (information on overdue amounts, significant changes in the expected performance and behavior of the borrower and other significant changes).

As at the transition date, the Group recognized lifetime ECL on loans with no credit rating at the date of initial recognition, since the analysis of whether a significant increase in credit risk has occurred since initial recognition would have required unreasonably excessive costs or efforts.

Loans are transferred from Stage 1 to Stage 2 if the following factors are in place:

- ► Overdue more than 30 days;
- ► Early warning indicators of the increase in credit risk (corporate borrowers);
- ► Necessity to change previously agreed terms of a loan agreement to create more favorable conditions for the customer due to his inability to perform current obligations caused by the customer's financial position;
- ► Full or partial refinancing of current debt that would be required, if the customer experienced financial difficulties;
- ► The customer had no rating as at the reporting date;
- ► Assets, for which the default was not determined, in case that the default is determined for other customer's loans (for the retail portfolio).

When estimating ECL on a collective basis for a group of similar assets, the Group applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

Forward-looking information and multiple economic scenarios

When determining the impairment amount, the Group uses forward-looking information based on macroeconomic models that results in the direct adjustment of probability of default. As the Group does not know for certain about the realization of these macroeconomic parameters in future, it is impossible to calculate the scenario due to the uncertainty factors.

The Group uses three scenarios: basic, optimistic and pessimistic. When performing calculations, the significance given to the latter two scenarios is 25%, while the significance of the basic scenario is 50%.

With respect to each scenario, the input data for the macroeconomic model include the values of the respective macroeconomic variables that are subsequently used to adjust the corresponding input parameters:

- ► GDP growth rates;
- ► Unemployment rate;
- ► Growth of consumer prices;
- ► Foreign exchange rates.

28. Risk management (continued)

Credit risk (continued)

The inputs and models used to calculate ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, sometimes qualitative adjustments are made or temporary adjustments are applied if such differences are significant.

The tables show the values of the key forward-looking economic variables/assumptions used in each of the economic scenarios for the ECL calculations.

Key factors	*ECL scenario*	*Assigned probability, %*	*2023*	*2024*	*2025*
GDP growth, %					
	Optimistic	25%	1.84	2.02	3.02
	Basic	50%	0.00	1.00	2.00
	Pessimistic	25%	-2.73	-0.52	0.48
Unemployment rate, %					
	Optimistic	25%	3.55	3.75	3.75
	Basic	50%	4.00	4.00	4.00
	Pessimistic	25%	4.44	4.25	4.25

Credit quality by class of financial asset

The credit quality of financial assets is managed by the Group via an internal credit rating system, as described above. The analysis of the credit quality by class of assets for loan-related line items of the consolidated statement of financial position, based on the Group's credit rating system is shown in the table below.

31 December 2022	*Notes*		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	6	Stage 1	1,007,642	2,131,015	–	–	**3,138,657**
Amounts due from credit institutions	8	Stage 1	–	198,417	–	–	**198,417**
Loans to customers at amortized cost:	9						
- Corporate lending		Stage 1	45,608	730,368	3,586	–	**779,562**
		Stage 2	3,492	151,971	79,962	–	**235,425**
		Stage 3	–	–	–	22,585	**22,585**
		POCI	–	–	–	–	**–**
- Small business lending		Stage 1	10,556	246,570	8,713	–	**265,839**
		Stage 2	2,685	87,630	22,017	–	**112,332**
		Stage 3	–	–	–	49,002	**49,002**
		POCI	–	–	–	–	**–**
- Consumer lending		Stage 1	–	540,885	6,840	–	**547,725**
		Stage 2	–	19,122	24,437	–	**43,559**
		Stage 3	–	–	–	22,683	**22,683**
- Mortgage lending		Stage 1	–	152,011	–	–	**152,011**
		Stage 2	–	–	2,891	–	**2,891**
		Stage 3	–	–	–	5,848	**5,848**
Debt investment securities:	10						
- Measured at FVOCI		Stage 1	380,003	–	–	–	**380,003**
- Measured at amortized cost		Stage 1	712,281	–	–	–	**712,281**
		Stage 2	–	407,678	–	–	**407,678**
Credit-related commitments	22	Stage 1	3,148	846,179	1,064	–	**850,391**
		Stage 2	–	228,822	18,449	–	**247,271**
		Stage 3	–	–	–	1,121	**1,121**
Total			**2,165,415**	**5,740,668**	**167,959**	**101,239**	**8,175,281**

Internal credit ratings are not assigned to trading securities and other financial assets.

(thousands of Belarusian rubles)

28. Risk management (continued)

Credit risk (continued)

31 December 2021	*Notes*		*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Cash and cash equivalents, except for cash on hand	6	Stage 1	906,665	998,279	–	–	**1,904,944**
Amounts due from credit institutions	8	Stage 1	–	155,507	–	–	**155,507**
Loans to customers at amortized cost:	9						
- Corporate lending		Stage 1	68	990,033	45,059	–	**1,035,160**
		Stage 2	–	491,577	64,123	–	**555,700**
		Stage 3	–	–	–	45,884	**45,884**
		POCI	–	–	–	–	**–**
- Small business lending		Stage 1	20,639	442,283	23,950	–	**486,872**
		Stage 2	44	48,221	34,404	–	**82,669**
		Stage 3	–	–	–	34,411	**34,411**
		POCI	–	–	–	–	**–**
- Consumer lending		Stage 1	–	695,289	15,644	–	**710,933**
		Stage 2	–	13,041	20,942	–	**33,983**
		Stage 3	–	–	–	18,670	**18,670**
- Mortgage lending		Stage 1	–	171,695	–	–	**171,695**
		Stage 2	–	–	4,219	–	**4,219**
		Stage 3	–	–	–	5,354	**5,354**
Debt investment securities:	10						
- Measured at FVOCI		Stage 1	106,797	–	–	–	**106,797**
- Measured at amortized cost		Stage 1	91,751	–	–	–	**91,751**
		Stage 2	–	366,799	–	–	**366,799**
Credit-related commitments	22	Stage 1	113	919,754	25,795	–	**945,662**
		Stage 2	–	316,571	20,197	–	**336,768**
		Stage 3	–	–	–	777	**777**
Total			**1,126,077**	**5,609,049**	**254,333**	**105,096**	**7,094,555**

See Note 9 for more detailed information on the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are also tested for impairment, and a provision for expected credit losses is calculated in a similar manner as for loans.

(thousands of Belarusian rubles)

28. Risk management (continued)

Geographical risk concentration

The geographical concentration of the Group's financial assets and liabilities is set out below.

	2022				2021			
	Belarus	*OECD*	*CIS and other foreign banks*	*Total*	*Belarus*	*OECD*	*CIS and other foreign banks*	*Total*
Assets								
Cash and cash equivalents	2,267,654	998,516	610,654	**3,876,824**	1,123,666	903,248	93,021	**2,119,935**
Trading securities	12,972	–	–	**12,972**	48,672	–	–	**48,672**
Amounts due from credit institutions	135,491	60,981	–	**196,472**	154,500	–	660	**155,160**
Loans to customers	2,145,386	–	–	**2,145,386**	3,066,195	–	–	**3,066,195**
Investment securities	407,578	276	1,068,484	**1,476,338**	363,305	198,546	–	**561,851**
Other assets	2,198	653	–	**2,851**	2,114	4,017	1,036	**7,167**
	4,971,279	**1,060,426**	**1,679,138**	**7,710,843**	**4,758,452**	**1,105,811**	**94,717**	**5,958,980**
Liabilities								
Amounts due to credit institutions	232,437	60,550	6,337	**299,324**	135,131	98,180	6,223	**239,534**
Amounts due to customers	5,378,097	187,095	191,110	**5,756,302**	3,968,497	69,837	127,239	**4,165,573**
Amounts due to international credit institutions	–	63,439	–	**63,439**	–	306,492	–	**306,492**
Debt securities issued	1,310	–	–	**1,310**	3,703	–	–	**3,703**
Other liabilities	239,017	3,606	–	**242,623**	235,962	6,039	1,097	**243,098**
	5,850,861	**314,690**	**197,447**	**6,362,998**	**4,343,293**	**480,548**	**134,559**	**4,958,400**
Net position	**(879,582)**	**745,736**	**1,481,691**	**1,347,845**	**415,159**	**625,263**	**(39,842)**	**1,000,580**

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its existing core deposit base. It also manages assets with liquidity in mind and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high-grade collateral which could be used to secure additional funding, if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. The Group also has committed lines of credit that it can access to meet liquidity needs. In addition, the Group maintains a cash deposit (obligatory reserve) with the NBRB, the amount of which depends on the level of customer funds attracted.

The liquidity position is assessed and managed by the Group primarily on a standalone basis, based on net liquidity assets and liabilities established by the NBRB. As at 31 December, these ratios were as follows:

	NBRB required minimum ratio value	*2022*	*2021*
Liquidity coverage ratio	100.0%	466.6%	191.5%
Net stable funding ratio	100.0%	253.2%	170.8%

(thousands of Belarusian rubles)

28. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Group's financial liabilities as at 31 December based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay, and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

Financial liabilities at 31 December 2022	*On demand*	*Less than 3 months*	*3 months to 1 year*	*1 year to 5 years*	*Over 5 years*	*Total*
Amounts due to credit institutions	198,478	2,602	7,419	90,899	12,712	**312,110**
Derivative financial instruments:						
- Contractual amounts payable	–	237,850	204	–	–	**238,054**
- Contractual amounts receivable	–	(237,535)	(203)	–	–	**(237,738)**
Amounts due to customers	5,308,626	379,442	50,688	24,643	–	**5,763,399**
Amounts due to international financial institutions	–	6,700	26,583	33,800	–	**67,083**
Debt securities issued	–	1,312	–	–	–	**1,312**
Other liabilities	503	17,119	65,749	49,280	110,188	**242,839**
Total undiscounted financial liabilities	**5,507,607**	**407,490**	**150,440**	**198,622**	**122,900**	**6,387,059**

Financial liabilities at 31 December 2021	*On demand*	*Less than 3 months*	*3 months to 1 year*	*1 year to 5 years*	*Over 5 years*	*Total*
Amounts due to credit institutions	85,209	4,352	9,458	140,226	15,438	**254,683**
Derivative financial instruments:						
- Contractual amounts payable	–	472,217	–	–	–	**472,217**
- Contractual amounts receivable	–	(469,459)	–	–	–	**(469,459)**
Amounts due to customers	3,353,012	733,187	65,008	23,180	–	**4,174,387**
Amounts due to international financial institutions	1,498	44,015	94,499	209,058	25,708	**374,778**
Debt securities issued	–	78	239	1,268	4,244	**5,829**
Other liabilities	1,618	7,548	87,638	47,898	98,573	**243,275**
Total undiscounted financial liabilities	**3,441,337**	**791,938**	**256,842**	**421,630**	**143,963**	**5,055,710**

The table below shows the contractual maturity of the Bank's commitments and contingencies.

	Less than 3 months	*3 to 12 months*	*1 year to 5 years*	*Over 5 years*	*Total*
2022	1,002,396	45,857	48,556	1,974	**1,098,783**
2021	1,060,995	137,013	83,800	1,399	**1,283,207**

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than it is indicated in the tables above. These balances are included in amounts due on demand in the tables above.

28. Risk management (continued)

Market risk

Market risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. The exposures to market risk are managed and monitored using different sensitivity analysis techniques. Except for foreign currency positions, the Group has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated statement of profit or loss.

The sensitivity of the statement of profit or loss is the effect of the assumed changes in interest rates on the net interest income for one year, based on the non-fixed rate non-trading financial assets and financial liabilities held at 31 December 2022 and 2021.

Currency	*Increase in basis points 2022*	*Sensitivity of net interest income 2022*
BYN	+50 b.p.	2,064
EUR	+50 b.p.	147
USD	+50 b.p.	220

Currency	*Decrease in basis points 2022*	*Sensitivity of net interest income 2022*
BYN	-50 b.p.	(2,064)
EUR	-50 b.p.	(147)
USD	-50 b.p.	(220)

Currency	*Increase in basis points 2021*	*Sensitivity of net interest income 2021*
BYN	+50 b.p.	2,688
EUR	+50 b.p.	383
USD	+50 b.p.	55

Currency	*Decrease in basis points 2021*	*Sensitivity of net interest income 2021*
BYN	-50 b.p.	(2,688)
EUR	-50 b.p.	(383)
USD	-50 b.p.	(55)

(thousands of Belarusian rubles)

28. Risk management (continued)

Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on currency positions based on the NBRB regulations. Positions are monitored on a daily basis.

The table below indicates the currencies to which the Group had significant exposure as at 31 December 2022 and 2021 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Belarusian ruble, with all other variables held constant on the consolidated statement of profit or loss (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on the equity does not differ from the effect on the consolidated statement of profit or loss. All other variables are held constant. A negative amount in the table reflects a potential net reduction in the statement of profit or loss or equity, while a positive amount reflects a net potential increase.

Currency	*Change in currency rate in %, 2022*	*Effect on profit before tax, 2022*	*Change in currency rate in %, 2021*	*Effect on profit before tax, 2021*
USD	50.00	14,903	50.00	4,493
USD	-10.00	(2,981)	-10.00	(899)
EUR	50.00	(14,901)	50.00	2,908
EUR	-10.00	2,980	-10.00	(582)
RUB	20.00	524	20.00	3,639
RUB	-20.00	(524)	-20.00	(3,639)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks but through a control framework and by monitoring and responding to potential risks the Group is able to manage the risks. Controls should include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

(thousands of Belarusian rubles)

29. Fair value of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not recorded at fair value in the consolidated statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying amount 2022	*Fair value 2022*	*Unrecognized gain/(loss) 2022*	*Carrying amount 2021*	*Fair value 2021*	*Unrecognized gain/(loss) 2021*
Financial assets						
Cash and cash equivalents	3,876,824	3,876,824	–	2,119,935	2,119,935	–
Amounts due from credit institutions	196,472	196,472	–	155,160	155,160	–
Loans to customers	2,145,386	2,094,260	(51,126)	3,066,195	3,028,279	(37,916)
Investment securities – debt securities measured at amortized cost	1,094,350	1,074,183	(20,167)	453,468	447,196	(6,272)
Other financial assets	2,195	2,195	–	2,022	2,022	–
Financial liabilities						
Amounts due to credit institutions	299,324	300,043	(719)	239,534	238,476	1,058
Amounts due to customers	5,756,302	5,755,024	1,278	4,165,573	4,163,310	2,263
Amounts due to international financial institutions	63,439	60,730	2,709	306,492	262,541	43,951
Debt securities issued	1,310	1,310	–	3,703	3,703	–
Other financial liabilities	242,277	242,277	–	241,221	241,221	–
Total unrecognized change in unrealized fair value			**(68,025)**			**3,084**

The following table shows an analysis of financial instruments for which fair values are disclosed by level of the fair value hierarchy.

31 December 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets for which fair values are disclosed				
Cash and cash equivalents	738,187	3,176,399	–	**3,914,586**
Amounts due from credit institutions	–	158,710	–	**158,710**
Loans to customers	–	–	2,094,260	**2,094,260**
Investment securities – debt securities measured at amortized cost	672,803	401,380	–	**1,074,183**
Other financial assets	–	–	2,195	**2,195**
	1,410,990	**3,736,489**	**2,096,455**	**7,243,934**
Financial liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	–	300,043	**300,043**
Amounts due to customers	–	–	5,755,024	**5,755,024**
Amounts due to international financial institutions	–	–	60,730	**60,730**
Debt securities issued	–	1,310	–	**1,310**
Other financial liabilities	–	–	242,277	**242,277**
	–	**1,310**	**6,358,074**	**6,359,384**

(thousands of Belarusian rubles)

29. Fair value of financial instruments (continued)

31 December 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets for which fair values are disclosed				
Cash and cash equivalents	215,032	1,904,903	–	**2,119,935**
Amounts due from credit institutions	–	155,160	–	**155,160**
Loans to customers	–	–	3,028,279	**3,028,279**
Investment securities – debt securities measured at amortized cost	–	447,196	–	**447,196**
Other financial assets	–	–	2,022	**2,022**
	215,032	**2,507,259**	**3,030,301**	**5,752,592**
Financial liabilities for which fair values are disclosed				
Amounts due to credit institutions	–	–	238,476	**238,476**
Amounts due to customers	–	–	4,163,310	**4,163,310**
Amounts due to international financial institutions	–	–	262,541	**262,541**
Debt securities issued	–	3,703	–	**3,703**
Other financial liabilities	–	–	241,221	**241,221**
	–	**3,703**	**4,905,548**	**4,909,251**

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid and have a floating rate or a short-term maturity (less than three months), it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to demand deposits and savings accounts without specific maturity.

Fixed rate financial instruments

The fair value of fixed-rate financial instruments carried at amortized cost is estimated by comparing market rates at recognition with current market interest rates for similar financial instruments. The estimated fair value of these financial instruments is determined as a present value of cash flows using prevalent market rates for financial instruments with similar characteristics.

Financial instruments recorded at fair value

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2022	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Trading securities	–	12,972	–	**12,972**
Derivative financial assets	–	653	3	**656**
Equity securities at FVOCI	–	276	1,709	**1,985**
Debt securities at FVOCI	380,003	–	–	**380,003**
	380,003	**13,901**	**1,712**	**395,616**
Financial liabilities				
Derivative financial liabilities	–	132	214	**346**
	–	**132**	**214**	**346**

29. Fair value of financial instruments (continued)

Financial instruments recorded at fair value (continued)

31 December 2021	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Trading securities	–	48,672	–	**48,672**
Derivative financial assets	–	5,054	91	**5,145**
Equity securities at FVOCI	–	227	1,359	**1,586**
Debt securities at FVOCI	106,797	–	–	**106,797**
	106,797	**53,953**	**1,450**	**162,200**
Financial liabilities				
Derivative financial liabilities	–	1,725	152	**1,877**
	–	**1,725**	**152**	**1,877**

Financial instruments carried at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap pricing models, using present value calculations. Methods used by the Group to estimate the fair value include models for forwards and swaps that incorporate the present value technique. The models incorporate various inputs including the credit quality of counterparties, forward and spot rates, as well as interest rate curves.

Movements in Level 3 financial instruments measured at fair value

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

	At 1 January 2022	*Gain/(loss) recorded in profit or loss on "Translation differences" position*	*Settlements*	*At 31 December 2022*
Financial assets				
Derivative financial instruments	91	3	(91)	3
Equity securities at FVOCI	1,359	350	–	1,709
Total Level 3 financial assets	**1,450**	**353**	**(91)**	**1,712**
Financial liabilities				
Derivative financial instruments	(152)	(214)	152	(214)
Total Level 3 financial liabilities	**(152)**	**(214)**	**152**	**(214)**

(thousands of Belarusian rubles)

29. Fair value of financial instruments (continued)

Movements in Level 3 financial instruments measured at fair value (continued)

Gains and losses on Level 3 financial instruments included in profit or loss for the period comprise:

	2022			*2021*		
	Realized gains	***Unrealized gains***	***Total***	***Realized gains***	***Unrealized gains***	***Total***
Gains recorded in the statement of profit or loss	61	139	**200**	(118)	75	**(43)**

Impact on the fair value of Level 3 financial instruments measured at fair value of changes to key assumptions

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

	31 December 2022		***31 December 2021***	
	Carrying amount	***Effect of reasonably possible alternative assumptions***	***Carrying amount***	***Effect of reasonably possible alternative assumptions***
Financial assets				
Derivative financial instruments	3	–	91	2
Financial liabilities				
Derivative financial instruments	(214)	1	(152)	18

In order to determine reasonably possible alternative assumptions, the Group adjusted key unobservable model inputs as follows: the Group adjusted the interest rate used to measure discounted cash flows in Belarusian rubles. The adjustment decreased the interest rate by 100 b.p. (2021: 100 b.p.).

(thousands of Belarusian rubles)

30. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 28 "Risk management" for the Group's contractual undiscounted repayment obligations.

	2022			*2021*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	3,876,824	–	**3,876,824**	2,119,935	–	**2,119,935**
Trading securities	11,494	1,478	**12,972**	503	48,169	**48,672**
Amounts due from credit institutions	158,710	37,762	**196,472**	152,513	2,647	**155,160**
Loans to customers	1,278,361	867,025	**2,145,386**	1,948,909	1,117,286	**3,066,195**
Investment securities	465,163	1,011,175	**1,476,338**	365,040	196,811	**561,851**
Investment property	529	14,499	**15,028**	298	14,634	**14,932**
Property and equipment and right-of-use assets	22,547	113,886	**136,433**	22,671	127,996	**150,667**
Intangible assets	12,682	37,504	**50,186**	12,746	34,065	**46,811**
Deferred income tax assets	–	3,903	**3,903**	–	3,184	**3,184**
Current income tax assets	4,452	–	**4,452**	1,202	–	**1,202**
Other assets	50,129	2,738	**52,867**	56,360	3,628	**59,988**
Total assets	**5,880,891**	**2,089,970**	**7,970,861**	**4,680,177**	**1,548,420**	**6,228,597**
Amounts due to credit institutions	204,415	94,909	**299,324**	93,834	145,700	**239,534**
Amounts due to customers	4,916,716	843,814	**5,760,530**	3,483,569	689,015	**4,172,584**
Amounts due to international financial institutions	31,568	31,871	**63,439**	118,231	188,261	**306,492**
Debt securities issued	–	1,310	**1,310**	–	3,703	**3,703**
Current income tax liabilities	12,840	–	**12,840**	5,371	–	**5,371**
Deferred income tax liabilities	–	36,868	**36,868**	–	42,512	**42,512**
Provisions	4,815	–	**4,815**	14,721	–	**14,721**
Other liabilities	91,052	160,414	**251,466**	101,784	147,674	**249,458**
Total liabilities	**5,261,406**	**1,169,186**	**6,430,592**	**3,817,510**	**1,216,865**	**5,034,375**
Net	**619,485**	**920,784**	**1,540,269**	**862,667**	**331,555**	**1,194,222**

As at 31 December 2022, a fixed balance on current accounts of customers in the amount of BYN 813,924 thousand is recognized within the "More than one year" category (2021: BYN 659,338 thousand).

31. Related party transactions

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Related parties for reporting purposes are the members of Raiffeisen Group (Raiffeisen CIS Region Holding GmbH, Raiffeisen RS Beteiligungs GmbH, Raiffeisen Bank International AG (RBI), banks under common control), and the key management personnel of the Group.

Raiffeisen Bank International AG (RBI) is the ultimate parent company of the Group, owning 100% of shares of the Group's principal shareholder Raiffeisen CIS Region Holding GmbH through Raiffeisen RS Beteiligungs GmbH.

(thousands of Belarusian rubles)

31. Related party transactions (continued)

The outstanding balances of related party transactions at the end of the reporting period are as follows:

	2022			*2021*		
	RBI	*Banks under common control*	*Key management personnel*	*RBI*	*Banks under common control*	*Key management personnel*
Cash and cash equivalents at 31 December	**76,251**	**9,170**	**–**	**6,028**	**2,801**	**–**
Loans at 1 January	**–**	**–**	**245**	**–**	**–**	**340**
Loans issued during the year	23,219	–	333	–	–	11
Loans repaid during the year	–	–	(528)	–	–	(106)
Loans outstanding at 31 December	**23,219**	**–**	**50**	**–**	**–**	**245**
Derivative financial assets at 31 December	653	–	–	4,017	1,036	–
Deposits at 1 January	**96,090**	**–**	**229**	**133,971**	**–**	**56**
Foreign exchange differences	(4,297)	–	(22)	(6,925)	–	(1)
Deposits received during the year	43,680	–	219	–	–	221
Deposits repaid during the year	(76,854)	–	(422)	(30,956)	–	(47)
Deposits at 31 December	**58,619**	**–**	**4**	**96,090**	**–**	**229**
Derivative financial liabilities at 31 December	98	–	–	533	1,097	–
Other liabilities at 31 December	3,001	–	–	5,178	–	–
Settlement and current accounts at 31 December	594	4,385	334	1,271	5,062	1,292
Commitments and guarantees issued	–	171	–	–	1,506	–
Commitments and guarantees received	2,916	–	–	–	–	–

Income and expense arising from related party transactions are as follows:

	For the year ended 31 December					
	2022			*2021*		
	RBI	*Banks under common control*	*Key management personnel*	*RBI*	*Banks under common control*	*Key management personnel*
Interest income	21	–	24	–	–	37
Interest expense	(4,349)	–	(6)	(4,616)	–	(2)
Net gains/(losses) from foreign currencies	(3,183)	(999)	–	14,507	(6,004)	–
Fee and commission income	66	59	6	71	290	4
Fee and commission expense	(10,848)	(69)	(2)	(5,145)	(104)	(2)
Personnel expenses	–	–	(3,892)	–	–	(4,111)
Other operating expenses	(5,407)	–	–	(6,813)	–	–

Compensation to key management personnel comprises the following:

	2022	*2021*
Salaries and other short-term benefits	3,171	3,424
Defined benefit plan	419	442
Social security costs	302	245
Total compensation to key management personnel	**3,892**	**4,111**

(thousands of Belarusian rubles)

32. Changes in liabilities arising from financing activities

	Notes	*Debt securities issued*	*Lease liability*	*Total liabilities arising from financing activities*
Carrying amount at 31 December 2020		**56,268**	**4,441**	**60,709**
Proceeds from issue		–	–	**–**
Repaid		(52,562)	(2,633)	**(55,195)**
Foreign exchange differences		–	(311)	**(311)**
Non-cash transactions		–	988	**988**
Other		(3)	42	**39**
Carrying amount at 31 December 2021		**3,703**	**2,527**	**6,230**
Proceeds from issue		–	–	**–**
Repaid		(2,393)	(1,722)	**(4,115)**
Foreign exchange differences		–	(52)	**(52)**
Non-cash transactions		–	116	**116**
Other		–	465	**465**
Carrying amount at 31 December 2022	16, 20	**1,310**	**1,334**	**2,644**

The "Other" line includes the effect of accrued but not yet paid interest on debt securities issued and lease liabilities. The Group classifies interest paid as cash flows from operating activities.

33. Capital adequacy

Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using internal regulations and local legal acts as well as the ratios established by the Basel Capital Accord 1988 with subsequent amendments and the ratios established by the NBRB in supervising the Bank.

During the past year, the Group complied in full with all its externally imposed capital requirements.

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

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the level of risks taken. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue equity securities. No changes were made in the capital management objectives, policies or processes from the previous years.

Capital adequacy ratio under 1988 Basel Capital Accord

The Group's capital adequacy ratio, computed in accordance with Basel Capital Accord 1988, with subsequent amendments including the amendment to incorporate currency risks, as at 31 December 2022 and 2021, comprised:

	2022	*2021*
Tier 1 capital	1,524,684	1,164,950
Total equity	**1,524,684**	**1,164,950**
Risk-weighted assets	**5,140,245**	**4,256,047**
Tier 1 capital adequacy ratio (minimum value of 4%)	29.66%	27.37%
Total capital ratio (minimum value of 8%)	29.66%	27.37%

(thousands of Belarusian rubles)

34. Events after the reporting period

The National Bank of the Republic of Belarus reduced the refinancing rate three times: on 21 January 2023 from 12.00% to 11.5%, on 1 March 2023 to 11.0%, and on 3 April 2023 to 10.5%.

On 24 February 2023, the Bank obtained a new banking license.

At the shareholders' meeting held in March 2023, the Bank declared dividends based on the 2022 annual financial statements on preferred shares in the amount of BYN 0.35 per one share. The dividends were paid in the amount of BYN 3,500.

On 11 April 2023, the Government of Canada extended sanctions against Belarus by including 9 banks in the list of blocking sanctions: the National Bank of the Republic of Belarus, Belarusbank, Belagroprombank, BPS-Sberbank, Priorbank, Bank BelVEB, Belgazprombank, VTB Bank and StatusBank. The sanctions imposed by Canada have no significant effect on the Group's business.